SHOP DIRECT

very Littlewoods VERY EXCLUSIVE

BECOMING A WORLD CLASS DIGITAL RETAILER

ANNUAL REPORT
AND GROUP FINANCIAL
STATEMENTS 2015/2016

With annual sales of **£1.9bn**, Shop Direct is the **UK's second largest pureplay digital retailer**. Our digital department stores Very.co.uk, VeryExclusive.co.uk, Littlewoods.com and LittlewoodsIreland.ie sell **over 1,300 famous brands** and **receive over 1.2 million website visits a day**, with **62% of online sales completed on mobile devices**.

With our department store range of famous brands, **market-leading eCommerce** and **technology capabilities** and **unique financial services products offering flexible ways to pay**, we make good things easily accessible to more people.

OUR AMBITION

Build a world class digital retailer

OUR PURPOSE

1. MAKE GOOD THINGS
Read more on pages 10-11
2. EASILY ACCESSIBLE
Read more on pages 12-13
3. TO MORE PEOPLE
Read more on pages 14-15

FIND OUT MORE

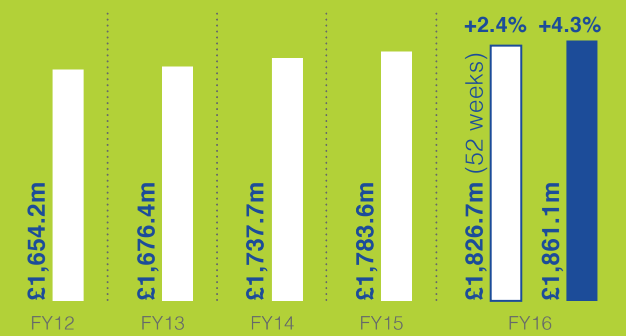
www.shopdirect.com

OPERATING AND FINANCIAL HIGHLIGHTS

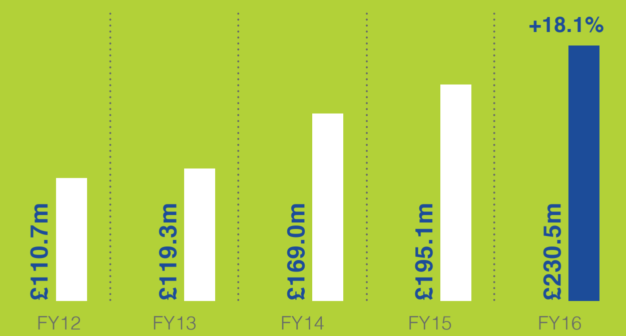
- Group sales up 4.3% to £1,861.1m (+2.4% after adjusting for week 53[1])
- EBITDA up 18.1% to £230.5m (FY15: £195.1m)
- Underlying profit before tax[2] up 43.6% to £150.4m (FY15: £104.7m)
- Very.co.uk sales passed £1bn, growing 15.9% to £1,122.1m (+13.9% adjusted for week 53)
- Littlewoods managed decline maintained: sales down 9.4% to £739.0m (-11.3% adjusted for week 53)
- Group gross margin up 20bps to 40.8% (FY15: 40.6%)
- Online transformation accelerated: 62% of online sales now on mobile devices and catalogue distribution ended
- Now focused on two power brands, Very and Littlewoods, down from six last year
- Own brand Clothing & Footwear offering simplified to two brands – V by Very, launched 2016, and Ladybird

1 FY16 was a 53 week period whereas FY15 was a 52 week period. Unless stated, figures include extra week in FY16.
2 Underlying profit before tax calculated as profit before tax, exceptional items, fair value adjustments and IAS 19 (Employee Benefits)/IFRIC 14, from continuing operations.

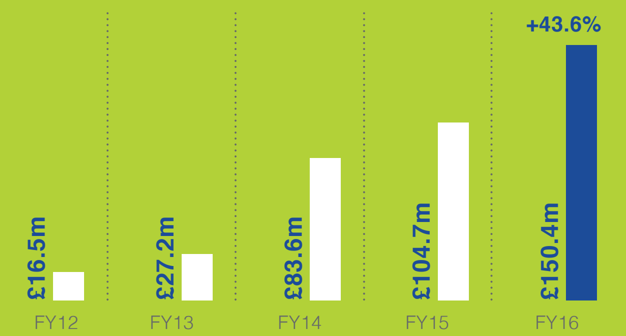
GROUP SALES



EBITDA



UNDERLYING PROFIT BEFORE TAX

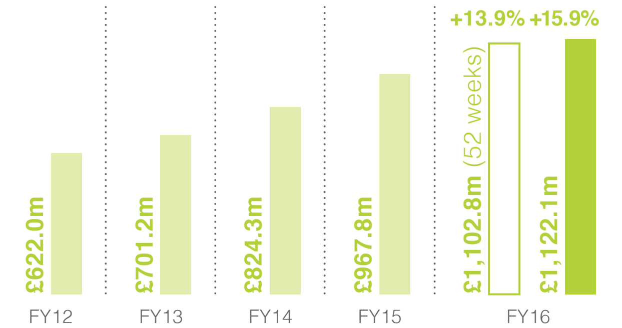


MOBILE SALES MIX %
(AS % OF TOTAL ONLINE SALES)

OUR BUSINESS AT A GLANCE

A digital business supported by a clear strategy – we aim to be a world class digital retailer

VERY SALES



SALES[1] (FY16)

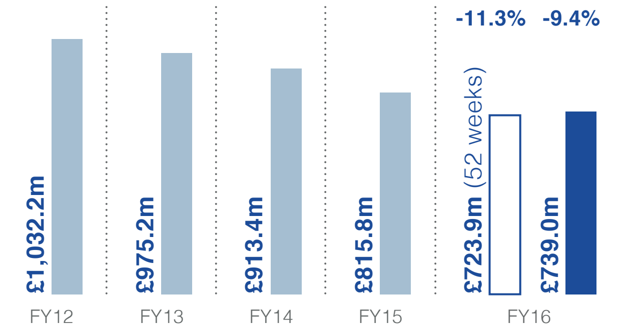
£1,122.1m (+15.9%)

EBITDA CONTRIBUTION[2] (FY16)

£273.7m (+34.6%)

1 Very sales includes Very.co.uk and VeryExclusive.co.uk. Woolworths and Isme were migrated into Very at the beginning of FY16.
2 EBITDA contribution is stated before central costs. See page 37 for more details.

LITTLEWOODS SALES



SALES[3] (FY16)

£739.0m (-9.4%)

EBITDA CONTRIBUTION[4] (FY16)

£175.2m (-12.3%)

3 Littlewoods sales include Littlewoods.com and LittlewoodsIreland.ie. K&Co was migrated into Littlewoods at the beginning of FY16.
4 EBITDA contribution is stated before central costs. See page 37 for more details.

very
VERY.CO.UK

Our high growth digital department store, focusing on style-conscious, aspirational women.

- A UK online department store with big name brands
- Offers a broad, curated and inspiring selection of products for our customers
- Flexible ways to pay via unique financial services products allowing our customers to purchase what they want when they need it the most

ONLINE VISITS (FY16)

283.0m (+15.0%)

GROWTH IN SMARTPHONE ORDERS (FY16)

+61.9%

Littlewoods.com

Established in 1923, our family-focused digital department store has a loyal customer base.

- Offers the big brands our customers desire, for themselves and all the family
- Servicing a wide range of customers
- Flexible ways to pay via unique financial services products allowing our customers to purchase what they want when they need it the most

ONLINE VISITS (FY16)

156.8m (+6.6%)

CUSTOMERS WITH TENURE OF MORE THAN 5 YEARS

51.7%[1]

1 Excludes Littlewoods Ireland.

OUR TIMELINE

A business with a long history of serving UK customers, now transformed into a leading digital retailer

ESTABLISHING THE BRANDS

1890s-1990s

Kay & Company founded 1890s

Littlewoods launched 1920s

Telephone ordering launched 1980s

eCommerce launched 1990s

MERGING THE BRANDS

2002-2003

Present owners buy Littlewoods from Moores family

GUS's home shopping acquired, renamed Shop Direct

2005

Littlewoods and Shop Direct merge, forming UK's largest home shopping business

Index brand and stores sold to Argos

Littlewoods stores sold to Associated British Foods

FOCUSED EXPANSION ECOMMERCE

2009

Very.co.uk created to drive online growth, targeting younger customers

2014-2015

Very overtakes Littlewoods to become Shop Direct's largest brand

Very Exclusive launched to target high street luxury segment

ACCELERATED TRANSFORMATION

2015-2016

No catalogues distributed after 80 years of circulation

Own brands simplified with launch of V by Very

Focus on two retail power brands

FUTURE

New financial services environment

Mobile-first customer experience

Read more:
www.shopdirect.com

GROUP CHIEF EXECUTIVE'S REVIEW

I'm pleased to share the results from another record year at Shop Direct – underlying profit before tax up 43.6% on last year.

"Our first full year as 100% digital

2015/16 has been our fourth consecutive year of record financial performance. We've also made continuing and significant progress towards our goal of being a world-class digital retailer.

It's been a rapid transformation. Four years ago, 72% of our sales came from catalogue customers. That's zero today: we've just enjoyed our first full year as a 100% digital pureplay.

We owe that pace of progress to our strategy, and to the talent and energy of our exceptional people in carrying it out. They've achieved a great deal – and we aren't done yet.

FINANCIAL PROGRESS

We're pleased to report record results. The benefits of simplification, continued growth in Very.co.uk, our mobile-first approach, and sustained cost and financial services discipline can be seen in our 43.6% growth in underlying profit before tax and 4.3% growth in Group sales.

Very broke the £1bn sales barrier this year, outperforming a healthy online market with 15.9% growth and maintaining our position as the UK's fastest-growing department store. Very is the leading UK online department store for famous brands, and its unique ways to pay continue to differentiate it in the online market.

Mobile now accounts for 62% of online sales, and our focus on this channel has paid off. As a mobile-first business, we now account for 17% of all UK online sales made on smartphones in the product categories we sell. Our orders on smartphones grew by 46% year-on-year and our app has notched-up nearly a million downloads in little over a year – earning a 4.5-star rating and driving a significant uplift in trading.

Our Clothing and Footwear sales growth has been a game-changer this year. We now react more quickly to customers' changing demands, and sales were up 5.4%. Sportswear sales grew by over 30%, benefiting from range expansion, and our customers continue to love River Island collections.

Shop Direct continues to be a disciplined business, evidenced in the year's cost and credit risk performance. We're now a simpler and leaner organisation, which has allowed us to reduce costs, and we've maintained close control of bad debt and fraud.

STRATEGIC PROGRESS

We have a clear strategy: to make good things easily accessible to more people. This makes the most of what differentiates us – our combination of famous brands and unique ways to pay allows our customers to have an upgrade on what they'd otherwise be able to afford. And we've made progress on all legs of this strategy.

We've continued to bring in more brands our customers want, adding another 150 to take our total past 1,300. We've launched the likes of Bose, Aspinal of London, Samsonite, Boss Orange, L'Oréal Paris and Whistles.

We're also pleased with Very Exclusive's performance, as it gains scale and trades ahead of plan. We introduced 50 new brands this year and remain on course towards our ultimate goal of democratising luxury for our customers.

We're making good progress in margin optimisation. As we grow in importance to our suppliers, we secure improving terms. And we've used our wealth of data, technology and advanced analytics to bring ever-greater science to our pricing.

> "It's been a rapid transformation

Pureplay etailer of the year 2016 – the second time in a row

Retail Week 2016 AWARDS with ORACLE

We're creating a mobile-first and data-fuelled customer experience – one that's easy, inspiring and personalised. Constant experimentation has shown us where personalisation increases customer trade rates, satisfaction and loyalty. So we're now personalising every stage of their journey – how we attract them, their experience on-site and how we stay in touch after they've shopped.

This was the year when our investments in big data and personalisation technology started to pay off substantially. Drawing on our unique customer data, our talented group of data scientists and some of the world's leading tech partners, we now personalise more customer touchpoints than ever before. These include our digital ads, the order in which we present products on-site, and the way we encourage customers to shop with us again through channels such as email, text and app push notifications.

We've kicked on our financial services agenda too – receiving our credit authorisation from the FCA through close attention to regulatory compliance, and developing new technology to help us accept more credit applications safely. We've communicated our credit offering to customers better with our Take 3 proposition, allowing them to spread costs interest-free over three months. And we've made journey improvements to help them open and manage their accounts online – particularly in educating them on the benefits of a credit account and making it easier to navigate through making payment.

We've been gratified by the awards we've scooped, including Retail Week's 'etailer of the year' for the second year running. And Facebook highlighted us as a key success story for our digital marketing over our biggest-ever Black Friday.

And we've invested in our people agenda – through recruitment, training and development – resulting in another world-class employee engagement score from our committed and talented colleagues.

FUTURE

The strategy to transform from a catalogue business into a world-class digital retailer is working and we'll stick with it. It's driven sales, profit, customer advocacy and employee engagement to record levels and is embedded into the culture here. Nor have we exhausted its potential.

We're revitalising our own-brand clothing offer with the launch of V by Very. We aim to be as famous for our own brand as we are for others', with this year's biggest launch in UK fashion. Our target is a £200m brand.

GROUP CHIEF EXECUTIVE'S REVIEW
continued

We'll continue to strengthen our offering on Very Exclusive through the launch of menswear, with brands including Barbour, Kenzo and Aquascutum already signed-up. And we'll continue with our investment in pricing technology, as part of our wider technology agenda.

We want to do even more in personalisation, and we're backing artificial intelligence (AI) in a big way. Our new customer lifecycle management system will use AI to fully automate and personalise every off-site communication we send to individual customers – ensuring we speak to them at the right time, in the right way, and that they get the most relevant offers.

We'll use AI-fuelled conversational user interfaces, enabling customers to chat with a bot through our MyVery app as they would with a friend on WhatsApp. Initially they'll be able to ask questions about our service, such as the status of their orders, and we'll build from there.

On site, we'll add 'nudge' messaging. Using a combination of the data we hold on customers and the data we collect while they're browsing, we'll send them relevant, inspiring on-site product and financial services messages at different stages of their shopping journey.

We've also kicked-off our £50m financial services investment programme with IBM, which will give customers more tailored ways to spread the cost and manage their accounts. The programme will also accelerate our innovation in the range of personalised credit products that we offer.

And it's not just in personalisation where we're placing our bets on artificial intelligence. AI will help us make even better lending decisions, and to support ever more sophisticated pricing. We're working with IBM Watson to power this, with promising early results.

We're very far from the finished article, and are still nowhere close to this business's full potential. We're also in an unforgivingly competitive space. But we believe in our strategy, we'll stay the course with it, and we're confident we can stay on our upward trajectory.

ALEX BALDOCK
GROUP CHIEF EXECUTIVE

OUR STRATEGY

OUR AMBITION	TRANSFORM A CATALOGUE BUSINESS INTO A WORLD CLASS DIGITAL RETAILER		
OUR PURPOSE	MAKE GOOD THINGS	EASILY ACCESSIBLE	TO MORE PEOPLE
HOW WE WILL DELIVER THE PURPOSE	FAMOUS FOR BRANDS	DATA & ANALYTICS EASY CUSTOMER EXPERIENCE PERSONALISATION	CREDIT
UNDERPINNED BY	PEOPLE	PROCESS	TECHNOLOGY

Read more:
www.shopdirect.com

KEY PERFORMANCE INDICATORS

We measure the performance of our business using the following Key Performance Indicators[1] for the year ended 30 June 2016.

GROUP SALES

£1,861.1m
(+4.3%)

Very	**£1,122.1m**	(+15.9%)
Littlewoods	**£739.0m**	(-9.4%)

Group sales up 2.4% after adjusting for week 53.

UNDERLYING PROFIT BEFORE TAX[2]

£150.4m
(+43.6%)

EBITDA

£230.5m
(+18.1%)

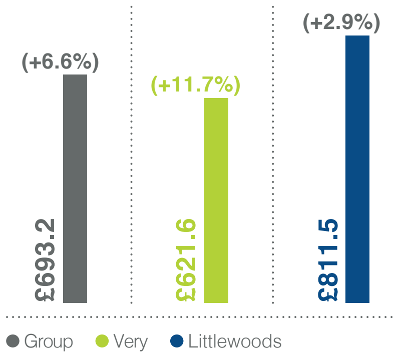
RETAIL

TOTAL ACTIVE CUSTOMERS[3] (CASH & CREDIT)

3.93m
(-0.3%)

Very	**2.45m**	(+4.3%)
Littlewoods	**1.48m**	(-6.9%)

DEMAND PER CUSTOMER[4]



DEMAND TO SALES CONVERSION[5]

54.5%
(-1.2%pts)

Commentary around these KPIs is contained in the Group Finance Director's review on page 16.

RETAIL SALES

£1,485.1m
(+4.0%)

Very	**£844.6m**	(+14.9%)
Littlewoods	**£640.5m**	(-7.7%)

Retail sales up 2.1% after adjusting for week 53.

FINANCIAL SERVICES

AVERAGE DEBTOR BOOK

£1,542.3m
(+2.0%)

INTEREST INCOME % OF DEBTOR BOOK

19.5%
(+0.9%pts)

BAD DEBT % OF DEBTOR BOOK

8.3%
(0.0%pts)

1 Key Performance Indicators include 53rd week in 2015/16.
2 Underlying profit before tax calculated as profit before tax, exceptional items, fair value adjustments and IAS 19 (Employee Benefits)/IFRIC 14, from continuing operations.
3 Defined as having shopped in the last 12 months.
4 Average order frequency multiplied by average order value stated before customer returns, VAT, not yet dispatched goods and credit approval.
5 Impact of customer returns, VAT, not yet dispatched goods (due to time lag/stock availability) and credit approval (insufficient credit, fraud detection).

OUR STRATEGY

We focus relentlessly on delivering our promise to make good things easily accessible to more people. Here's how…

OUR PURPOSE	MAKE GOOD THINGS	EASILY ACCESSIBLE
OUR STRATEGY	FAMOUS FOR BRANDS	DATA & ANALYTICS
What it means	'Good things' is all about choice. So we listen to our customers and bring on board the brands they want – offering both branded and own branded options. Read more on pages 10-11	We want to make life easier for our customers – so we collect, store, define, protect and utilise data so we can fuel a personalised and seamless experience across all channels.
Our progress in 2015/2016	• Simplified our own brand offering with V by Very. • Added over 150 brands – including Bose, Whistles, Samsonite, Yves Saint Laurent and extended our Apple range with the Apple Watch. • Clocked up another record Black Friday as hourly deals featuring great products helped push orders up by over 60% versus the prior year.	• Segmented our customer base into groups which share common characteristics so we can treat individual customers differently. • Introduced industry-leading ratings and review platform Bazaarvoice. • Working together with SAS Analytics and Amazon Web Services we've delivered a new 'data ecosystem' which enables us to process more customer data than ever before in order to give a more personalised experience to customers.

PROGRESS AGAINST 2015/2016 PRIORITIES

1	**GOING PAPERLESS**	We stopped printing catalogues last year after 80 years, allowing more investment in mobile, our customers' channel of choice.
2	**TWO RETAIL POWER BRANDS**	We successfully migrated the Isme and Woolworths brands to Very and K&Co to Littlewoods, focusing all our efforts onto our two power brands.
3	**ENHANCING OUR CREDIT CAPABILITY**	We've laid the foundations for our new financial services environment – we established the customer proposition, data migration plans are in place and the design phase is well under way.
4	**SIMPLIFYING OUR OWN BRAND**	New own-label V by Very got off to an encouraging start on Very and Littlewoods, replacing 13 existing own brands.

TO MORE PEOPLE

EASY CUSTOMER EXPERIENCE

Just like physical stores, we want to make our websites welcoming, enjoyable places to visit – where it's easy and fun to find and buy the things our customers want.

- Added Touch ID to the Very app, so that customers can log in and check out in the fastest and most secure way possible.
- Introduced size comparison technology allowing customers to see how a product they want to buy – a handbag, say – compares against items they already own. This has boosted revenue per visitor and conversion on mobile devices.
- Very app has 4.5 star rating in the Apple store with downloads nearing 1 million.

PERSONALISATION

Relevance wins in retail. So we're applying advanced technology to customers' shopping data to bring them the products they want, and not what they don't.

Read more on pages 12-13

- Launched our first artificial intelligence-based communication solution to generate personalised customer emails using machine learning algorithms.
- Personalised more customer touchpoints than ever – from emails and off-site advertising to homepage content on Very.co.uk, through to on-site sort orders and product recommendations deeper in the shopping journey.

CREDIT

Our credit offering differentiates us from other retailers. Flexible ways to pay and options to spread the cost mean that our customers can buy what they want when they need it most.

Read more on pages 14-15

- Granted full permission from the FCA under its new regulatory regime for credit.
- Introduced follow-up marketing campaigns for customers who drop out of the credit application process at a late stage.
- We've successfully advertised the benefits of our 'Take 3' product which allows customers to spread the cost of purchases – three months, three payments and no interest.

PRIORITIES IN 2016/2017

1	**EASY MOBILE EXPERIENCE**	We want to make signing up and shopping across mobile ever easier, using tech to differentiate us from the competition.
2	**DATA FUELLED PERSONALISATION**	We'll continue to use customer segmentation and artificial intelligence to achieve a highly tailored experience for customers.
3	**ENHANCING OUR CREDIT CAPABILITY**	Our investment programme for financial services will help us personalise offers, develop new credit products and streamline the customer journey.
4	**PRODUCT ASSORTMENT**	Improve our product assortment in sports, petite and plus size; drive growth of V by Very; and launch menswear on Very Exclusive.

1 DELIVERING ON OUR PURPOSE:

GOOD THINGS

“It’s about style and inspiration combined with ease and convenience

Our new own label delivers fashion that’s driven by our customers as well as the catwalks

We’re building a world class online department store – and now it has its own fashion brand to match that ambition. V by Very simplifies our own brand offering. It brings together high quality, design-led lines across womenswear, menswear and childrenswear – mixing seasonal pieces with distinctive, must-have fashion essentials.

V by Very replaces 13 existing own brands – and by reducing the number of suppliers, retaining only the best, we’ve bought more efficiently. It will continue to be supported by our existing children’s clothing label, Ladybird.

Our customers will always be at the heart of what we’re doing. So we’re not only tracking the latest trends and catwalk styles: every day, we’re listening to customers’ views and watching how they shop to create a fashion brand which is relevant to them. In this way, we believe V by Very will create new opportunities to expand womenswear, menswear and childrenswear.

Read more:
www.shopdirect.com

UPLIFT IN PREDICTIVE POWER

1.6x

2 DELIVERING ON OUR PURPOSE:

EASILY ACCESSIBLE

“ Investing in the latest tech – helping us improve our predictive power

Machine learning techniques are helping to make our customer communications more personal and relevant.

As a digital retailer, we use email to keep in touch with our customers. It’s central to our trading strategy. But how often should we talk to them? And which products should we tell them about? When you offer over 1,300 famous brands and have customers with distinct shopping preferences, these aren’t easy questions to answer. So we built an email management system to help us. Using our rich customer dataset and powerful machine learning algorithms, it tells us when to contact each customer, what types of product to show – and even alerts us when a customer is at risk of disengagement.

It has significantly improved our ability to predict customer shopping patterns and respond to changes in behaviour – so that we can create personalised email programmes aligned with each individual customer’s needs. The result: a valuable uplift in email engagement and incremental sales.

Read more:
www.shopdirect.com

3 DELIVERING ON OUR PURPOSE:

TO MORE PEOPLE

“15% of new credit customers told us Take 3 was their top reason for opening an account”

Helping our customers to get the most from our Take 3 credit product.

TAKE 3

Our credit proposition is one of the things that differentiates us from our competitors. Our customers can spread the cost of purchases – allowing them to buy the things they need when they need them the most.

That said, we know that some of our customers aren't sure how to get the most out of our financial services products so we launched a campaign to advertise one of the products they use the most, Take 3. The campaign which featured our Brand Ambassador Jenni Falconer used a simple narrative to highlight the benefits – the main one being that if you make 3 equal payments equal to the cost of purchase over 3 months you'll pay no interest – no matter how much or little you buy. It also took the opportunity to showcase the great products we have in our shop; demonstrating breadth of offer.

Not only did we see an increase in new credit customers during the campaign, we spoke to 800 customers to see what they thought. 85% of new customers recruited in the period were aware of Take 3 and the research also showed that 15% of new credit customers told us Take 3 was their top reason for opening an account.

Read more:
www.shopdirect.com

GROUP FINANCE DIRECTOR'S REVIEW

Record profit driven by continuing sales growth at Very and further cost reduction.

GROUP SALES

Group sales, comprising retail and financial services increased by 4.3% in FY16 (+2.4% after adjusting for the impact of week 53).

Very.co.uk continued to outperform the online market*: sales passed £1bn, growing by 15.9% to £1,122.1m (FY15: £967.8m). This performance benefited from convenient access on mobile – particularly via our app, which now accounts for 10% of Very's orders, 18 months after its launch; investment in data to create an ever easier and more personalised customer journey; and the introduction of relevant new brands.

The managed reduction in Littlewoods.com sales continued, down 9.4% to £739.0m (FY15: £815.8m).

	FY16 £'m	FY15 £'m	Change %
Very	1,122.1	967.8	15.9
Littlewoods	739.0	815.8	(9.4)
Group Sales (53 v 52 weeks)	**1,861.1**	**1,783.6**	**4.3**
Group Sales (52 v 52 weeks)	**1,826.7**	**1,783.6**	**2.4**

FY16 RETAIL SALES MIX (%)
BY PRODUCT DIVISION

Retail sales grew 4.0% (+2.1% adjusted for week 53) as we continued to benefit from our department store model, which provides resilience against adverse movements in individual product categories. Strong Clothing & Footwear and Seasonal sales more than offset a decline in Furniture & Homeware of 2.1%† due to lower Homeware sales.

Clothing & Footwear sales grew by 5.4%† as our move to smaller, more frequent stock purchases allowed us to respond faster to changes in consumer trends and weather. Sportswear sales grew by over 30%, benefiting from range expansion.

Seasonal continues to be a key growth area, with sales up over 45% in the past five years: including growth of 4.9%† in FY16 driven by children's ranges, including Toys, and Beauty.

Electrical sales started the year slowly in line with the market, but despite record performance during Cyber Fortnight and momentum in the summer season, sales were down 0.1%† reflecting a softer than expected market for Gaming hardware, particularly following the strength of the previous two years.

FY16 RETAIL SALES GROWTH
BY PRODUCT DIVISION

	53 v 52 weeks YoY %	52 v 52 weeks YoY %
Clothing & Footwear	8.0%	5.4%
Electrical	1.4%	(0.1%)
Seasonal	6.5%	4.9%
Furniture & Homeware	(0.4%)	(2.1%)
Retail sales	**4.0%**	**2.1%**

CUSTOMERS

During the period we closed all our legacy brands to focus all our efforts on our power brands, Very and Littlewoods. Woolworths and Isme customers migrated into Very and K&Co customers into Littlewoods. Whilst the number of customers who migrated to and traded with Very and Littlewoods was in line with expectations, a small number of customers were not retained. Despite this one-off impact active customers (defined as having shopped with us over the previous 12 months) stayed broadly flat at 3.93m.

However, we've seen the benefit of our credit model and the recurring customer base as demand per customer (average order value multiplied by frequency) increased by 6.6%, driven by Very (+11.7%). This reflected improved customer loyalty, as customers traded with us more frequently and higher basket sizes which benefited from product recommendations based on customers' browsing and purchasing data.

The introduction of self-serve functionality, which allows customers to cancel orders before they are dispatched, led to a 1.2%pts decrease in conversion of demand to sales but improved the customer experience, now they don't need to go through the returns process.

	FY16	FY15	Change %
Active customers[1] (m)	3.93	3.94	(0.3)
Demand per customer[2] (£)	693.2	650.4	6.6
Demand to Sales Conversion[3] %	54.5%	55.7%	(1.2)pts

1 Defined as having shopped in the last 12 months.
2 Defined as average order frequency multiplied by average order value stated before customer returns, VAT, not yet dispatched goods and credit approval.
3 Impact of customer returns, VAT, not yet dispatched goods (due to time lag/stock availability) and credit approval (insufficient credit, fraud detection).

FINANCIAL SERVICES

Credit is one of the things that differentiate us from our competitors. Our customers can spread the cost of purchases – allowing them to buy the things they need when they need them the most. Sales increased by 1.8% on prior year, driven by interest income which as a percentage of the debtor book increased by 0.9%pts. Our continued focus on customer quality was maintained: as a percentage of the debtor book, bad debt was in line with the prior year.

COSTS AND PROFIT

Gross margin rate increased by 0.2%pts to 40.8% – driven by more Clothing & Footwear in the retail mix, and improved contribution from financial services.

Distribution expenses decreased by 0.3% to £218.3m (FY15: £219.0m) despite higher volumes. This reflected more efficient collation, improved controls reducing goods lost in transit, and benefit from product mix.

“Strong profit growth in a year of change

Administrative expenses before exceptional items decreased by 1.0% to £340.0m (FY15: £343.6m), despite higher volumes. Key factors were the transition to a digital-first model for customer services, benefit from our first year as a digital retailer following the removal of catalogues and simplification of brands and own-labels.

Total costs (distribution and administrative expenses) as a percentage of Group sales decreased by 1.5%pts to 30.0% despite investment to support growth, as we become a simpler and leaner organisation.

Net finance costs, the majority of which relates to the securitisation facility, increased to £54.2m (FY15: £48.1m) – driven by interest in respect of £375.0m senior debt facility raised in April 2016 and interest on defined benefit obligation.

Underlying profit before tax^ rose 43.6% to £150.4m (FY15: £104.7m). As a percentage of Group sales, the increase in underlying profit before tax margin was 2.2%pts to 8.1%.

Profit before tax rose 19.7% to £105.6m (FY15: £88.2m). Exceptional costs of £43.5m (FY15: £25.4m) relate to regulatory provisions and restructuring costs. See page 38.

INCOME STATEMENT
CONTINUING OPERATIONS

	FY16 £'m	FY15 £'m	Change %
Group sales	1,861.1	1,783.6	4.3
Gross margin	760.0	723.5	5.0
Gross margin rate %	*40.8*	*40.6*	*0.2pts*
Distribution expenses	(218.3)	(219.0)	
Administrative expenses	(340.0)	(343.6)	
Other operating income	1.6	0.8	
Operating profit before exceptionals	**203.3**	**161.7**	**25.7**
Net finance costs	(54.2)	(48.1)	
Profit before tax and exceptionals	**149.1**	**113.6**	**31.3**
Exceptional items	(43.5)	(25.4)	
Profit before tax	**105.6**	**88.2**	**19.7**

Reconciliation of profit before tax and exceptionals to underlying profit before tax

	FY16 £'m	FY15 £'m	Change %
Profit before tax and exceptionals	149.1	113.6	
Adjusted for:			
Fair value adjustments to financial instruments	(6.4)	(8.4)	
Fair value adjustments to trade creditors	4.7	1.8	
IAS19 and IFRIC 14 pension adjustments	3.0	(2.3)	
Underlying profit before tax^	**150.4**	**104.7**	**43.6**

* IMRG online retail market (non-food).
† Adjusted for the impact of week 53 in FY16.
^ Underlying profit before tax calculated as profit before tax, exceptional costs, fair value adjustments and IAS 19 (Employee Benefits)/IFRIC 14 from continuing operations.

GROUP FINANCE DIRECTOR'S REVIEW
continued

TAXATION

The tax charge in the income statement of £15.5m (FY15: credit £37.6m) during the year includes a current tax charge of £2.5m and a charge of £13.0m in relation to utilisation of the deferred tax asset which was recognised during the year ended 30 June 2015.

CAPITAL INVESTMENT

Total capital additions in the year was £52.1m (FY15: £30.7m). We continued to focus on our priority areas – personalisation, data and eCommerce – by investing in the latest technology to further improve the online customer journey. We invested in a decision engine which makes real-time decisions on an industrial scale to deliver a more personalised experience and we enhanced the convenience and security of Very's app by introducing biometric fingerprint recognition. To better inform our customers about stock availability and provide more accurate delivery promises we have invested in a held order management tool, and at our headquarters in Liverpool we've built a state-of-the-art conferencing and wellbeing facility for our people. Investment in our new financial services platform has continued during the year and this is on track to be launched in the next financial year.

BALANCE SHEET

Net assets increased 20.4% to £559.2m (FY15: £464.3m), driven principally by the Group's profit after tax.

Inventory increased by 2.2% to £101.0m (FY15: £98.8m) to support year-on-year sales growth plan for Q1 2016/17. Working capital efficiency through stock management will remain a key focus.

Trade and other receivables increased by 19.8% to £2,260.9m (FY15: £1,886.6m), driven by loans to Group undertakings and sales growth.

Trade and other payables increased by 7.0% to £500.7m (FY15: £468.0m), reflecting improvement in supplier payment terms and year-on-year sales growth.

On 15 April 2016 we agreed a three year senior debt facility of £375.0m, comprising a £300.0m term loan, £60.0m revolving credit facility and £15.0m overdraft. The facility is unsecured, with options to extend for one year subject to Bank approval at the end of the three year term and for a further year at the end of the one year extension.

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. Further detail is included in note 3.

The Group has carefully considered its cash flows and banking covenants for the next 12 months from the date of signing the financial statements. These have been appraised in the light of the uncertainty in 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 Group and to assess liquidity risk. The key risk identified by the directors for these assumptions is the impact that a deterioration in the economic climate would have on the performance of revenue and the debtor book.

The Group's forecasts and projections, after sensitivities to take account of reasonably foreseeable changes in trading performance, show that the Group will have sufficient headroom within its current loan facilities. After making appropriate enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

GREG PATERAS
GROUP FINANCE DIRECTOR

RISK MANAGEMENT AND PRINCIPAL RISKS

We face a number of risks and uncertainties in our operations and delivery of our strategy. Those with potentially significant impact on the business are summarised below:

	NATURE AND IMPACT	MITIGATION
Economy and market conditions	A significant change in the UK economy could lead to a decline in Group performance. For example, the outcome of the recent EU referendum has the potential to create some uncertainty. We could be affected by issues such as consumer confidence and currency volatility (see below).	Whilst we are a UK-focused business, we have a robust business model which allows us to meet the opportunities and challenges ahead. Our financial services offering enables customers to spread the cost of purchases if they need to.
Competition	Intense competition makes the retail sector sensitive to price, service, product quality and availability. Failure to meet customer expectations in any of these areas could reduce sales and result in excessive stockholding.	We continue to add big brands to our roster, invest in data and personalisation to improve the customer journey and provide options to spread the cost of purchases. In addition, we have a strong focus on service and monitor competitors' pricing.
Credit	Credit is a key part of our customer offering and a significant majority of customers use it to make purchases.	We keep a close watch on individual customers' exposures and have clear procedures for establishing credit limits and monitoring exposure.
Regulatory environment	We are subject to a range of legislative and regulatory changes, notably in relation to consumer credit and data protection.	We maintain open and positive relationships with relevant regulatory bodies through our dedicated compliance function and proactive management approach.
Securitisation	We use securitisation to fund a significant portion of our receivables book. Increases in securitisation costs could adversely impact our financial performance.	We maintain strong relationships with supporting banks and have a rolling three year funding programme with a fixed margin over LIBOR.
Foreign exchange	There has been volatility in currency exchange rates since the announcement of the result of the EU referendum.	Less than 10% of goods we purchase are denominated in US dollars and we use a rolling 18 month hedging programme to manage this exposure.
IT infrastructure	Our operational and commercial success depends on the continued availability and integrity of our IT systems, including our websites.	We continue to invest in data security and we have comprehensive back-up and disaster recovery procedures, which are regularly reviewed, tested and updated.
People	Our business success depends significantly on our ability to attract and retain key employees.	We have an in-house team of talent recruitment partners. We aim to ensure that employee remuneration is set at attractive levels and incentivises all our people to deliver results in line with Group objectives.
Interest rate	Our borrowings expose us to cash flow interest rate risk.	Our Treasury team is responsible for reducing exposure to this risk and securing sufficient liquidity to meet foreseeable needs.
Liquidity	We need sufficient cash flow to fund day to day business operations and meet 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.

CORPORATE RESPONSIBILITY

We're determined to set high ethical and environmental standards and to be the best and most responsible corporate citizen we can be, wherever in the world we operate.

ETHICS AND SUSTAINABILITY

As an endorser of the UN Global Compact (UNGC), the world's largest corporate citizenship initiative, we observe its 10 principles on human rights, labour standards, the environment and corruption, and report annually on our progress.

Under the Ethical Trading Initiative, we set high ethical and environmental standards for every workplace in our supply chain. We augmented our global factory audit programme this year by joining the SEDEX platform to share audits globally with other retailers. We remain signatories to the Bangladesh Accord on Fire and Building Safety.

We are certified to the Carbon Trust Standard for Carbon, recognising our best-practice approach to managing and reducing greenhouse gas emissions. During the year we ended production of printed catalogues enabling additional investment in ways to interact with customers online.

ENGAGING OUR PEOPLE

Transforming our business includes making Shop Direct an ever-better place to work. We seek full and open dialogue with our people and their representatives through channels such as consultative committees, joint working parties and briefing groups. We have collective bargaining agreements with the USDAW and SATA trade unions. And we keep our people and their representatives regularly informed of corporate and individual business unit objectives, trading performance, economic conditions and other relevant matters.

Employees are represented on our pension trustee boards, and we introduced a pension governance forum and issued our first pensions newsletter this year.

As an equal opportunities employer, we aim to ensure that colleagues with disabilities receive training, career development and promotion matching those of other employees as far as practically possible. In job applications, disabled people always receive full and careful consideration of their knowledge, experience and skills. If a colleague suffers a disability, we make every effort to ensure they can keep working with us through reasonable adjustments and appropriate training.

We continue to enhance our people-focused digital capabilities, introducing IT apprenticeships and internships in our eCommerce and fashion teams and building closer links with universities and local schools. We reviewed our pay ranges against new National Living Wage legislation and met our obligations early, benefiting 64 colleagues. Our flexible benefits offer has expanded to provide more choice and include more colleagues. And our 84% colleague engagement score put us firmly in the top quartile of companies globally.

SUPPORTING OUR COMMUNITIES

We support employees' volunteering and charitable fundraising, and our digital charity hub connects them to our Helping Hand matched funding portal, payroll giving and the JustGiving donation site. Each year they select one focal cause and project: in 2015 we chose to develop a ground-breaking app for Alder Hey Children's Hospital by raising £200,000 and providing pro bono digital expertise. The app will enable patients and their families to familiarise themselves, play games and interact with the hospital before, during and after treatment. We are on track to deliver this target in September 2016.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of Shop Direct Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 June 2016.

DIRECTORS

The directors that held office during the year and to the date of this report were as follows:

A D Baldock
A S Barclay
H M Barclay
D W Kershaw
G V Pateras (appointed 13 May 2016)
P L Peters
M Seal
S A Winton

DIVIDENDS

The directors do not recommend the payment of a dividend (FY15: £nil).

BUSINESS REVIEW

The directors are required by Company Law to set out a fair review of the business, its position at the year end and a description of the principal risks and uncertainties facing the Group. The strategic report is on pages 1 to 20 and includes the Group Chief Executive's review on pages 4 to 6. The principal risks are considered on page 19.

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. Further detail is included on page 18.

ELECTIVE RESOLUTIONS

The Group has passed elective resolutions to dispense with the holding of annual general meetings and for the laying of the annual report and financial statements before the Company in general meetings, until such time as the elections are revoked.

STATEMENT TO DISCLOSE INFORMATION TO THE AUDITOR

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

Deloitte LLP have indicated their willingness to continue in office.

By order of the board

ALEX BALDOCK
DIRECTOR

5 SEPTEMBER 2016

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOP DIRECT LIMITED

We have audited the financial statements of Shop Direct Limited for the year ended 30 June 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income; the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 43. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

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 30 June 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 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.

SHARON THORNE FCA
(SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP

CHARTERED ACCOUNTANTS
AND STATUTORY AUDITOR
MANCHESTER, UNITED KINGDOM

5 SEPTEMBER 2016

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 June 2016 Pre-exceptional items £'m	Year ended 30 June 2016 Exceptional items £'m	Year ended 30 June 2016 Total £'m	Year ended 30 June 2015 Pre-exceptional items £'m	Year ended 30 June 2015 Exceptional items £'m	Year ended 30 June 2015 Total £'m
Continuing operations							
Revenue	5,6	**1,861.1**	**–**	**1,861.1**	1,783.6	–	1,783.6
Cost of sales		**(1,101.1)**	**–**	**(1,101.1)**	(1,060.1)	–	(1,060.1)
Gross profit		**760.0**	**–**	**760.0**	723.5	–	723.5
Distribution costs		**(218.3)**	**–**	**(218.3)**	(219.0)	–	(219.0)
Administrative costs		**(340.0)**	**(43.5)**	**(383.5)**	(343.6)	(25.4)	(369.0)
Other operating income		**1.6**	**–**	**1.6**	0.8	–	0.8
Operating profit		**203.3**	**(43.5)**	**159.8**	161.7	(25.4)	136.3
Investment income	11	**0.2**	**–**	**0.2**	0.1	–	0.1
Finance costs	12	**(54.4)**	**–**	**(54.4)**	(48.2)	–	(48.2)
Profit before tax		**149.1**	**(43.5)**	**105.6**	113.6	(25.4)	88.2
Tax (charge)/credit	13	**(15.5)**	**–**	**(15.5)**	37.6	–	37.6
Profit for the year from continuing operations		**133.6**	**(43.5)**	**90.1**	151.2	(25.4)	125.8
Discontinued operations							
Profit for the year from discontinued operations	14	**–**	**–**	**–**	1.3	17.4	18.7
Profit for the year	8	**133.6**	**(43.5)**	**90.1**	152.5	(8.0)	144.5
Profit attributable to equity holders of the Group		**133.6**	**(43.5)**	**90.1**	152.5	(8.0)	144.5

Non-GAAP measures

	Notes	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m
Reconciliation of pre-exceptional profit before tax ("PBT") to underlying PBT			
Pre-exceptional profit before tax from continuing operations		**149.1**	113.6
Adjusted for:			
Fair value adjustments to financial instruments	24	**(6.4)**	(8.4)
Fair value adjustments to trade creditors		**4.7**	1.8
IAS 19 and IFRIC 14 pension adjustments	30	**3.0**	(2.3)
Underlying PBT		**150.4**	104.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m
Profit for the year		**90.1**	144.5
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus		**–**	1.0
Actuarial (loss)/gain on pension scheme	30	**(5.5)**	1.4
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange movement		**3.3**	(1.6)
Other comprehensive income		**(2.2)**	0.8
Tax relating to components of other comprehensive income	13	**7.0**	–
Other comprehensive income for the year		**4.8**	0.8
Total comprehensive income for the year		**94.9**	145.3

CONSOLIDATED BALANCE SHEET

As at 30 June

	Notes	**2016 £'m**	2015 £'m	2014 £'m
Non-current assets				
Goodwill	15	**252.5**	252.5	252.5
Other intangible assets	16	**122.7**	99.9	96.0
Property, plant and equipment	17	**8.6**	6.5	89.0
Investment property	18	**–**	–	19.7
Interests in joint ventures	19	**–**	–	9.3
Deferred tax asset	25	**37.0**	43.0	6.4
		420.8	401.9	472.9
Current assets				
Inventories	21	**101.0**	98.8	100.3
Trade and other receivables	22	**2,260.9**	1,886.6	1,682.6
Cash and bank balances		**35.8**	15.2	56.6
Derivative financial instruments	24	**8.3**	1.9	–
		2,406.0	2,002.5	1,839.5
Total assets		**2,826.8**	2,404.4	2,312.4
Current liabilities				
Trade and other payables	27	**(500.7)**	(468.0)	(430.7)
Current tax liabilities		**(1.0)**	–	(2.3)
Obligations under finance leases	26	**(0.9)**	(0.4)	(1.0)
Borrowings	23	**(61.5)**	(90.4)	(98.4)
Provisions	28	**(21.4)**	(23.6)	(16.5)
Deferred revenue		**(78.4)**	(82.7)	(125.1)
Derivative financial instruments	24	**–**	–	(6.5)
		(663.9)	(665.1)	(680.5)
Non-current liabilities				
Borrowings	23	**(300.0)**	–	(51.4)
Non-recourse borrowings	23	**(1,183.9)**	(1,151.4)	(1,142.7)
Retirement benefit obligations	30	**(67.1)**	(72.5)	(76.1)
Deferred revenue		**(50.2)**	(50.9)	(42.2)
Obligations under finance leases	26	**(2.5)**	(0.2)	(0.5)
		(1,603.7)	(1,275.0)	(1,312.9)
Total liabilities		**(2,267.6)**	(1,940.1)	(1,993.4)
Net assets		**559.2**	464.3	319.0
Equity				
Share capital	29	**100.0**	100.0	100.0
Capital contribution reserve		**–**	500.0	500.0
Revaluation reserve		**–**	–	16.0
Retained earnings		**459.2**	(135.7)	(297.0)
Total equity		**559.2**	464.3	319.0
Equity attributable to owners of the Company		**559.2**	464.3	319.0

The financial statements of Shop Direct Limited, company number 04730752, were approved by the Board of Directors on 5 September 2016.

Signed on its behalf

A BALDOCK
DIRECTOR

G PATERAS
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Revaluation reserve £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
Balance as at 30 June 2014 as previously reported	100.0	16.0	500.0	(164.0)	452.0
Changes on transition to IFRS (note 36)	–	–	–	(133.0)	(133.0)
Balance as at 1 July 2014 as restated	100.0	16.0	500.0	(297.0)	319.0
Total comprehensive income	–	1.0	–	144.3	145.3
Realised revaluation surplus	–	(17.0)	–	17.0	–
	–	(16.0)	–	161.3	145.3
Balance at 30 June 2015	100.0	–	500.0	(135.7)	464.3
Changes in equity for the year ended 30 June 2016					
Balance as at 1 July 2015	100.0	–	500.0	(135.7)	464.3
Total comprehensive income	–	–	–	94.9	94.9
Share issue	500.0	–	(500.0)	–	–
Capital reduction	(500.0)	–	–	500.0	–
	–	–	(500.0)	594.9	94.9
Balance at 30 June 2016	100.0	–	–	459.2	559.2

The capital contribution reserve related to the acquisition of LW Finance Limited from Shop Direct Holdings Limited in 2008 for nil consideration. The directors fair valued the investment at £500.0m and as such created a capital contribution reserve of £500.0m.

During the year there was a bonus issue of 500m ordinary shares of £1 each fully paid up using the capital contribution reserve. Subsequent to this there was a capital reduction of £500.0m.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 30 June 2016 £'m	Year ended 30 June 2015 £'m
Net cash from operating activities	31	**(231.1)**	(29.1)
Investing activities			
Interest received		**0.2**	0.1
Proceeds on disposal of property, plant and equipment		**–**	2.4
Purchases of property, plant and equipment		**(4.5)**	(0.8)
Purchases of intangible assets		**(47.6)**	(29.9)
Amounts received from joint ventures		**–**	1.5
Proceeds on disposal of joint ventures		**–**	14.5
Cash disposed of with subsidiary undertaking		**–**	(0.1)
Net cash used in investing activities		**(51.9)**	(12.3)
Financing activities			
New bank loans raised		**300.0**	–
Increase in/(repayments of) borrowings		**32.5**	(6.0)
Net cash from/(used in) financing activities		**332.5**	(6.0)
Net increase/(decrease) in cash and cash equivalents		**49.5**	(47.4)
Opening cash and cash equivalents	31	**(75.2)**	(27.8)
Closing cash and cash equivalents	31	**(25.7)**	(75.2)

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 30 June 2016

1. GENERAL INFORMATION

Shop Direct Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is listed on page 66. The nature of the Group's operations are set out in the strategic report on pages 1 to 20.

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 polices set out in note 3.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101, these are presented on pages 61 to 65.

Critical accounting judgements and key sources of estimation uncertainty are discussed in note 4.

2. ADOPTION OF NEW AND REVISED STANDARDS

The Group has transitioned to IFRS during the current financial year and as such the financial information for the year ended 30 June 2015 and the balance sheet at 30 June 2014 have been restated to be prepared in accordance with IFRS.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (generally accepted accounting practice in the UK (UK GAAP)). An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in note 36 to the consolidated financial statements.

The accounting policies set out in note 3 have been applied in preparing these financial statements and comparative information and in the preparation of an opening IFRS balance sheet at 30 June 2014.

The Group monitors the potential impact of new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting years.

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leasing
IAS 1 (amendments)	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity Method in Separate Financial Statements
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

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 that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may impact on the treatment and recognition of leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The financial statements are drawn up to the Saturday nearest to 30 June, or to 30 June where this falls on a Saturday.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), together with the Group's share of the net assets and results of joint venture undertakings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Strategic Report.

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and financial statements.

INVESTMENTS IN JOINT VENTURES

A joint venture is an entity in which the Group holds an interest on a long-term basis and which it jointly controls with one or more other venturers under a contractual arrangement. The Group's share of profits less losses of joint ventures is included in the consolidated income statement, and the Group's share of their net assets is included within fixed asset investments in the consolidated balance sheet.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are included in the Company's balance sheet at cost on acquisition. Where appropriate, provision is made for any impairment.

GOODWILL

Goodwill arises on acquisition where the fair value of the consideration given exceeds the fair value of the Group's interest in the identifiable assets and liabilities acquired. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

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

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Retail turnover represents the sale of goods, less an appropriate deduction for returns and sales tax, and is recognised at the point of dispatch from the distribution centre when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Financial services turnover principally comprises interest on customers' outstanding balances, commission earned on sales of insurance products and administration fees earned following instances such as late or partial payment by customers.

Explicit and implicit interest is recognised 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 the assets' net carrying amount. Interest is presented net of amounts expected to be settled within the interest free period.

Commission earned on sale of insurance products is recognised on sale of the products and is disclosed on a net basis in accordance with the Group's role as agent.

Insurance premiums are accounted for on an accruals basis and earned evenly over the period of the policy.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administration fees are recognised as revenue as the service is performed.

SECURITISED TRADE RECEIVABLES

The provisioning of securitised trade receivables is measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is evidence that the asset is impaired. 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.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	2%-10% per annum
Leasehold buildings	2%-10% per annum
Fixtures and fittings	10%-33% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Useful economic lives are as follows:

Software costs	3 to 7 years
Acquired brands	5 to 20 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTERNALLY-GENERATED INTANGIBLE ASSETS

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful economic life for internally generated software costs is 3 to 7 years.

DERECOGNITION OF INTANGIBLE ASSETS

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group reviews the carrying amounts 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 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value and consist of finished goods purchased for resale and consumable stocks for use. Where necessary provision is made for obsolete, slow-moving and defective stocks.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUPPLIER REBATES

The Group enters into marketing and advertising and volume based rebate arrangements with suppliers. Rebate income is recognised based on the expected entitlement that has been earned up to the balance sheet date. The Group only recognises rebates where there is documented evidence of an agreement with a supplier. Rebates related to inventory held on the balance sheet are deferred within inventory as a cost price reduction. Rebates earned but not collected at the balance sheet date are recognised within trade and other receivables.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 24.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

TAXATION

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

LEASES

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

Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

FOREIGN CURRENCIES

The Group does not trade speculatively in foreign currency; foreign currency is held purely to satisfy payments to suppliers, primarily for goods for resale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency purchases are expressed in Sterling at the exchange rate fixed at the point of purchase (the contract rate). A standard exchange rate, fixed at the beginning of each season, is used in calculating the merchandise margin of goods sold with any resulting profits or losses between standard and contract (actual) rates taken through the income statement over the year to which the usage relates (the "season"). Monetary assets and liabilities, which are to be settled in foreign currencies and are not covered by forward contracts, are translated into Sterling at the rate of exchange prevailing at the balance sheet date. All exchange differences are dealt with in the income statement.

Exchange gains and losses arising on the retranslation of overseas net assets and results are taken directly to reserves.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Regulatory provisions

Future regulatory obligations are recognised based upon the best estimate of amounts required to settle obligations at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to contributions.

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 component of defined benefit costs within administrative 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 12).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

OPERATING PROFIT

Operating profit is stated after charging restructuring costs but before investment income, finance costs and fair value adjustments to financial instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgements, key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £252.5m. Details of the impairment loss calculation are set out in note 15.

Useful lives of internally generated intangible assets

The Group reviews the estimated useful lives of internally generated intangible assets at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of computer software should be lengthened from 5 years to 7 years to more accurately reflect the expected useful life of the assets.

Trade receivables

An allowance for estimated irrecoverable customer receivables is retained against balances where there is an observed event which, based on historic performance, is evidence of a potential impairment and reduction in the recoverability of future cash flows.

This allowance is calculated using assumed collection rates. Assumptions are informed by the Group's historic experience of customer repayment trends as the best available guide to future performance of a potentially impaired balance.

Assumptions are continually assessed for relevance and adjusted appropriately.

Regulatory

The Group operates within a changing regulatory environment, regularly reviewing the requirements, guidance notes and scanning the horizon for future developments. The balance sheet position, including the provision for future customer redress payments in respect of historic shopping insurance sales, represents the best estimate of the future regulatory obligations based on this review, taking into account factors including risk and uncertainty.

Inventory

Inventories are held at the lower of cost and net realisable value and provision is therefore recognised where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical sales patterns and assumptions regarding future selling values.

5. REVENUE

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

	2016 £'m	2015 £'m
Continuing operations		
Sales of goods	**1,467.8**	1,396.6
Rendering of services	**393.3**	387.0
Revenue	**1,861.1**	1,783.6
Other operating income	**1.6**	0.8
Investment income (see note 11)	**0.2**	0.1
Discontinued operations		
Sales (see note 14)	**–**	3.3
Total revenue as defined in IAS 18	**1,862.9**	1,787.8

6. SEGMENTAL ANALYSIS

By geographical location of destination

	2016 £'m	2015 £'m
Revenue:		
United Kingdom	**1,809.9**	1,736.0
Rest of World	**51.2**	47.6
	1,861.1	1,783.6
Operating profit:		
United Kingdom	**159.9**	135.9
Rest of World	**(0.1)**	0.4
	159.8	136.3

The analysis above is in respect of continuing operations.

Turnover by origin is not materially different from turnover by destination.

By business segment

	2016 £'m	2015 £'m
Analysis of revenue:		
Very†	**1,122.1**	967.8
Littlewoods^	**739.0**	815.8
	1,861.1	1,783.6
Gross profit	**760.0**	723.5
Distribution costs	**(218.3)**	(219.0)
Administrative costs	**(312.8)**	(310.2)
Other operating income	**1.6**	0.8
EBITDA*:		
Very†	**273.7**	203.4
Littlewoods^	**175.2**	199.8
Central costs	**(218.4)**	(208.1)
	230.5	195.1
Exceptional items (see note 7)	**(43.5)**	(25.4)
Depreciation	**(2.4)**	(7.4)
Amortisation	**(24.8)**	(26.0)
Operating profit	**159.8**	136.3
Investment income	**0.2**	0.1
Interest payable	**(54.4)**	(48.2)
Profit before taxation	**105.6**	88.2

The analysis above is in respect of continuing operations.

* EBITDA is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items.
† Very sales include Very.co.uk and VeryExclusive.co.uk.
^ Littlewoods sales include Littlewoods.com and LittlewoodsIreland.ie.

7. EXCEPTIONAL ITEMS

	2016 £'m	2015 £'m
Regulatory provisions	**40.4**	17.4
Restructuring costs	**3.1**	8.0
	43.5	25.4

The analysis above is in respect of continuing operations.

An exceptional charge of £40.4m was recognised during the year (2015: £17.4m) reflecting costs expected to be incurred in respect of future customer redress payments for historic shopping insurance sales.

The restructuring costs reflect expenditure on the rationalisation of processes and functions within the Shop Direct Group.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2016 £'m	2015 £'m
Net foreign exchange losses	**1.0**	2.8
Depreciation of property, plant and equipment	**2.4**	7.4
Amortisation of intangible assets included in operating expenses:		
Acquired brands	**0.4**	0.4
Computer software assets	**24.4**	25.6
Cost of inventories recognised as expense	**952.5**	889.4
Write downs of inventories recognised as an expense	**15.5**	20.1
Staff costs (see note 10)	**146.9**	128.5
Impairment loss recognised on trade receivables	**194.6**	188.7

The analysis above is in respect of continuing operations.

9. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	2016 £'m	2015 £'m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**–**	–
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**0.4**	0.4
Total audit fees	**0.4**	0.4
Other services	**0.1**	–
Total non-audit fees	**0.1**	–

10. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Stores	**78**	83
Distribution and customer service centres	**1,465**	1,220
Administration	**2,303**	2,443
	3,846	3,746

Their aggregate remuneration comprised:

	2016 £'m	2015 £'m
Wages and salaries	**129.5**	112.6
Social security costs	**11.0**	10.9
Defined contribution pension costs	**6.0**	6.0
Defined benefit pension cost/(credit) (note 30)	**0.4**	(1.0)
	146.9	128.5

Directors' remuneration:

	2016 £'m	2015 £'m
Aggregate emoluments	**2.3**	3.2
Company contributions to money purchase pension schemes	**0.1**	0.1
	2.4	3.3

During the year retirement benefits have accrued to 3 directors (2015: 3) under defined contribution schemes.

	2016 £'m	2015 £'m
Highest paid director:		
Aggregate emoluments	**1.8**	1.7
Company contributions to money purchase pension schemes	**0.1**	0.1
	1.9	1.8

11. INVESTMENT INCOME

	2016 £'m	2015 £'m
Bank deposit interest receivable	**0.2**	0.1

12. FINANCE COSTS

	2016 £'m	2015 £'m
Interest on bank overdrafts and loans	**(8.4)**	(5.4)
Securitisation interest	**(43.4)**	(44.0)
Interest on obligations under finance leases	**(0.1)**	(0.1)
Total interest expense	**(51.9)**	(49.5)
Net interest on defined benefit obligation (see note 30)	**(2.5)**	1.3
	(54.4)	(48.2)

The analysis above is in respect of continuing operations.

13. TAX

	2016 £'m	2015 £'m
Continuing operations		
Corporation tax:		
Current year	**(2.5)**	(0.4)
	(2.5)	(0.4)
Deferred tax (see note 25)	**(13.0)**	38.0
	(15.5)	37.6
Discontinued operations		
Share of joint ventures' tax	**–**	0.3
	(15.5)	37.9

In addition to the amount recognised in the Income Statement, the following amounts relating to tax have been recognised in the Statement of Comprehensive Income:

	2016 £'m	2015 £'m
Items that will not be reclassified subsequently to profit or loss:		
Deferred tax	**7.0**	–
Tax relating to components of other comprehensive income	**7.0**	–

Corporation tax is calculated at 20.0% (2015: 20.8%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit in the Income Statement as follows:

	2016 £'m	2015 £'m
Profit before tax on continuing operations	**105.6**	88.2
Tax at the UK rate of 20.0% (2015: 20.8%)	**(21.1)**	(18.3)
Tax effect of expenses that are not deductible in determining taxable profits	**(0.1)**	(5.0)
Tax effect of income not taxable in determining taxable profits	**0.3**	5.9
Tax effect of utilisation of tax losses not previously recognised	**–**	13.5
Change in unrecognised deferred tax assets	**11.6**	38.6
Items recognised in other comprehensive income	**(7.0)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**0.1**	–
Other permanent differences	**(3.7)**	(1.3)
Group relief	**4.4**	4.2
Tax (expense)/income for the year on continuing operations	**(15.5)**	37.6

The Government has announced that it intends to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. The 18% main rate of corporation tax was set by the Finance (No. 2) Act 2015 which received Royal Assent on 18 November 2015. The Finance Bill 2016 introduces legislation that further reduces, from 1 April 2020, the main rate of corporation tax to 17%, as this legislation was not substantively enacted by 30 June 2016 the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets and liabilities of the Group were all to reverse after 1 April 2020, the effect of the future changes from 20% to 17% would be to reduce the net deferred tax asset by £3.5m. To the extent that the deferred tax reverses more quickly than this the impact on the net deferred tax asset will be reduced.

14. DISCONTINUED OPERATIONS

On 26 February 2015 the Group sold its 100 per cent interest in a number of subsidiaries to a fellow Group company. The joint ventures Solution Personal Finance Limited and Home Shopping Personal Finance Limited were also disposed of during the year ended 30 June 2015.

The results of the discontinued operations which have been included in the consolidated income statement and cash flow statement were as follows:

	2015 £'m
Revenue	3.3
Cost of sales	–
Gross profit	3.3
Administrative expenses	(2.1)
Other operating income	0.6
Exceptional items	(0.6)
Share of results of joint ventures	0.8
Finance costs	(1.0)
Profit before tax	1.0
Tax	0.3
Profit for the year	1.3
Profit on disposal of subsidiaries	14.3
Profit on disposal of joint ventures	3.1
Total profit attributable to discontinued operations	18.7

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.

15. GOODWILL

	Goodwill £'m
Cost	
At 1 July 2014, 30 June 2015 and 30 June 2016	679.2
Accumulated impairment	
At 1 July 2014, 30 June 2015 and 30 June 2016	(426.7)
Carrying amount	
At 1 July 2014, 30 June 2015 and 30 June 2016	252.5

The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired.

The recoverable amounts of the cash-generating units (CGUs) are determined from value in use calculations. The key assumptions for value in use calculations are those regarding discount rates, growth rates and forecast cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the specific risks to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group has conducted a sensitivity analysis on the impairment test of each CGUs carrying value. A cut in the forecast future cash flows of 16% would result in the carrying value of goodwill being reduced to its recoverable amount.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows in perpetuity based on an estimated growth rate of 2.4% to reflect that there is no foreseeable limit to the period over which cash flows are expected to be generated. This growth rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 7.4% (2015: 7.4%).

On transition to IFRS on 30 June 2014 an impairment charge of £48.0m was recognised (see note 36).

16. OTHER INTANGIBLE ASSETS

	Software costs £'m	Acquired brands £'m	Total £'m
Cost			
At 1 July 2014	227.0	9.7	236.7
Additions	29.9	–	29.9
Disposals	(15.9)	–	(15.9)
At 1 July 2015	241.0	9.7	250.7
Additions	47.6	–	47.6
Disposals	(36.0)	–	(36.0)
At 30 June 2016	252.6	9.7	262.3
Amortisation			
At 1 July 2014	136.7	4.0	140.7
Charge for the period	25.6	0.4	26.0
Disposals	(15.9)	–	(15.9)
At 1 July 2015	146.4	4.4	150.8
Charge for the period	24.4	0.4	24.8
Disposals	(36.0)	–	(36.0)
At 30 June 2016	134.8	4.8	139.6
Net book value			
At 30 June 2016	117.8	4.9	122.7
At 30 June 2015	94.6	5.3	99.9
At 1 July 2014	90.3	5.7	96.0

The carrying value of the brand names have been determined from a value in use calculation. The key assumptions for this calculation are those regarding the discount rates, growth rates and the forecast cash flows. The amortisation period for is 5 to 20 years for brands and 3 to 7 years for software.

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 2.4% 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 cash flows is 7.4% (2015: 7.4%).

Included within software costs are assets held under finance leases with a net book value of £1.4m (2015: £3.0m; 2014: £5.7m) and £32.5m (2015: £27.3m; 2014: £15.0m) of investment incurred related to ongoing software development projects on which depreciation has not commenced as the assets have not yet been brought into use.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'m	Leasehold improvements £'m	Fixtures and fittings £'m	Total £'m
Cost or valuation				
At 1 July 2014	99.4	9.4	78.4	187.2
Additions in the year	–	–	0.8	0.8
Disposals in the year	(3.0)	–	(8.3)	(11.3)
Disposal of subsidiaries	(96.4)	–	(3.2)	(99.6)
At 1 July 2015	–	9.4	67.7	77.1
Additions in the year	–	–	4.5	4.5
Disposals in the year	–	–	(1.6)	(1.6)
At 30 June 2016	–	9.4	70.6	80.0
Depreciation				
At 1 July 2014	22.9	6.1	69.2	98.2
Charged in the year	1.7	0.4	5.3	7.4
Disposals in the year	–	–	(8.3)	(8.3)
Disposal of subsidiaries	(24.6)	–	(2.1)	(26.7)
At 1 July 2015	–	6.5	64.1	70.6
Charged in the year	–	0.3	2.1	2.4
Disposals in the year	–	–	(1.6)	(1.6)
At 30 June 2016	–	6.8	64.6	71.4
Net book value				
At 30 June 2016	–	2.6	6.0	8.6
At 30 June 2015	–	2.9	3.6	6.5
At 1 July 2014	76.5	3.3	9.2	89.0

During the prior year the Group disposed of a number of its subsidiaries and their associated land and buildings and fixtures and fittings (see note 20).

Included within fixtures and fittings are assets held under finance leases with a net book value of £0.8m (2015: £0.3m; 2014: £0.9m).

Included within land and buildings is land of £nil (2015: £nil; 2014: £26.2m) which is not being depreciated.

The Group's freehold and long leasehold land and buildings were valued at 30 June 2014 on a vacant possession value basis whilst properties leased to companies outside of the Group were valued on an open market value by a RICS qualified external valuer, Colliers CRE. Revaluations are carried out by internal valuers at least every three years and by RICS qualified external valuers at least every five years.

A separate valuation between land and buildings is not possible and therefore not presented.

If land and buildings had not been revalued, they would have been included at the following amounts:

	2016 £'m	2015 £'m	2014 £'m
Cost	**–**	–	106.6
Accumulated depreciation	**–**	–	(30.3)
Net book value	**–**	–	76.3

18. INVESTMENT PROPERTY

	Investment Property £'m
Fair value	
At 1 July 2014	19.7
Disposals of subsidiaries	(19.7)
At 30 June 2015 and 30 June 2016	–

During the prior year the Group disposed of a number of its subsidiaries and their associated investment property (see note 20).

The fair value of the Group's investment property at 30 June 2014 was arrived at on the basis of valuation carried out at that date by Colliers CRE, independent valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The property rental income earned by the Group from its investment property, all of which is leased under operating leases, amounted to £nil (2015: £3.3m; 2014: £2.3m). Direct operating expenses arising on the investment property, all of which generated rental income in the period, amounted to £nil (2015: £0.5m; 2014: £1.0m).

19. INVESTMENTS

	2105 £'m
Interests in joint ventures:	
At 1 July 2014	9.3
Share of profits	0.6
Dividends paid	(1.5)
Disposal of joint ventures	(8.4)
At 30 June 2015 and 30 June 2016	–

The joint ventures Solution Personal Finance Limited and Home Shopping Personal Finance Limited were disposed of during the prior year, generating a profit on disposal of £3.1m (see note 14).

20. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On 26 February 2015 the Group sold its 100 per cent interest in the ordinary share capital of Arndale Properties Limited, Ryton Properties Limited, Estuary Park Property Holdings Limited, Littlewoods Property Holdings Limited and their subsidiaries to a fellow group company. The consolidated profit before taxation of the companies and their subsidiaries in the year ended 30 June 2015, up to the date of disposal was £0.7m.

Net assets disposed of and the related sale proceeds were as follows:

	2015 £'m
Property, plant and equipment	72.9
Investment property	19.7
Current assets	86.0
Creditors	(117.4)
Net assets	61.2
Profit on disposal	14.3
Sale proceeds	75.5

The sale proceeds were settled through receipt of an intercompany receivable.

20. DISPOSAL OF SUBSIDIARY UNDERTAKINGS (CONTINUED)

Net cash outflows in respect of the sale comprised:

	2015 £'m
Cash at bank and in hand sold	(0.1)

21. INVENTORIES

	2016 £'m	2015 £'m	2014 £'m
Finished goods and goods for resale	**101.0**	98.8	99.8
Raw materials and consumable stocks	**–**	–	0.5
	101.0	98.8	100.3

There is no material difference between the balance sheet value of stocks and their replacement cost.

22. TRADE AND OTHER RECEIVABLES

	2016 £'m	2015 £'m	2014 £'m
Amounts falling due within one year:			
Amount receivable for the sale of goods	**1,391.1**	1,339.2	1,317.2
Amounts owed by group undertakings	**724.3**	437.8	269.3
Prepayments and accrued income	**109.7**	72.7	59.9
Other debtors	**35.8**	36.9	36.2
	2,260.9	1,886.6	1,682.6

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

Other debtors include £9.6m (2015: £8.5m; 2014: £6.0m) due from the Company's external trade receivables securitisation provider.

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

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a bad debt provision of £150.5m (2015: £154.7m; 2014: £170.4m) has been recorded accordingly.

Littlewoods interest is charged at 44.9% (2015: 44.9%; 2014: 39.9%) and Very interest is charged at 39.9% (2015: 39.9%; 2014: 39.9%) on the outstanding balance.

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

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. All customer receivables are unsecured.

	2016 £'m	2015 £'m	2014 £'m
Movement in the allowance for bad debts:			
Balance at beginning of the year	**154.7**	170.4	190.0
Amounts charged to the income statement	**194.6**	188.7	208.8
Amounts written off	**(198.8)**	(204.4)	(228.4)
Balance at the end of the year	**150.5**	154.7	170.4

	2016 £'m	2015 £'m	2014 £'m
Ageing of past due but not impaired receivables			
31-60 days	**17.1**	17.5	22.1

All balances over 60 days past due are deemed impaired.

The allowance for bad debts includes specific provisions for cohorts of debt which are not impaired due to age or default. The directors are satisfied that this covers any potential exposure arising from balances past due but not impaired.

23. BORROWINGS

	2016 £'m	2015 £'m	2014 £'m
Secured borrowings at amortised cost			
Bank overdrafts	**60.0**	90.4	72.3
Bank loans	**300.0**	–	53.4
Securitisation facility	**1,183.9**	1,151.4	1,142.7
Unsecured borrowings at amortised cost			
Bank overdrafts	**1.5**	–	12.1
Bank loans	**–**	–	12.0
Total borrowings	**1,545.4**	1,241.8	1,292.5
The borrowings are repayable as follows:			
Within one year	**61.5**	90.4	98.4
In the second year	**–**	–	2.1
In the third to fifth year	**1,483.9**	1,151.4	1,149.8
Over five years	**–**	–	42.2
Amount due for settlement after 12 months	**1,483.9**	1,151.4	1,194.1

23. BORROWINGS (CONTINUED)

	Sterling £'m	Euros £'m	Total £'m
Analysis of borrowings by currency			
At 30 June 2016			
Bank overdrafts	60.0	1.5	61.5
Bank loans	300.0	–	300.0
Securitisation facility	1,183.9	–	1,183.9
	1,543.9	1.5	1,545.4
At 30 June 2015 restated for IFRS			
Bank overdrafts	90.4	–	90.4
Securitisation facility	1,151.4	–	1,151.4
	1,241.8	–	1,241.8
At 30 June 2014 restated for IFRS			
Bank overdrafts	84.4	–	84.4
Bank loans	65.4	–	65.4
Securitisation facility	1,142.7	–	1,142.7
	1,292.5	–	1,292.5

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

(a) The Group has a securitisation facility of £1,183.9m (2015: £1,151.4m; 2014: £1,142.7m) secured by a charge over certain eligible trade debtors of the Group and is without recourse to any of the other Group assets. The securitisation facility, with a maximum value of £1,315.0m expires on 1 December 2018.

(b) A three year senior debt facility of £375.0m was established on 15 April 2016. The facility is secured by a debenture over the assets of the subsidiary to which it relates and has an option to extend for an additional year at the end of the three year term and then for a further year at the end of the one year extension. The facility bears interest at a rate of up to 3.75% over LIBOR.

	2016 %	2015 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	**3.300**	3.257
Bank loans	**2.573**	4.187
Securitisation facility	**2.888**	3.137

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2016 £'m	2015 £'m	2014 £'m
Notional amount – sterling contract value	**63.6**	115.4	173.2
Fair value of asset/(liability) recognised	**8.3**	1.9	(6.5)

Changes in the fair value of assets recognised, being non-hedged currency derivatives amounted to a credit of £6.4m to income in the year (2015: credit of £8.4m; 2014: charge of £11.7m).

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

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2. There were no transfers between Level 1 and Level 2 during the year.

25. DEFERRED TAX

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

	Accelerated tax depreciation £'m	Tax losses £'m	Retirement benefit obligations £'m	Short-term timing differences £'m	Derivative financial instruments £'m	Total £'m
At 1 July 2014	1.4	5.0	–	–	–	6.4
Disposal of subsidiaries	(1.4)	–	–	–	–	(1.4)
Credit to profit and loss	11.4	26.6	–	–	–	38.0
At 1 July 2015	11.4	31.6	–	–	–	43.0
(Charge)/credit to profit and loss	7.0	(21.6)	–	1.9	(0.3)	(13.0)
Credit to other comprehensive income	–	–	7.0	–	–	7.0
At 30 June 2016	18.4	10.0	7.0	1.9	(0.3)	37.0

Deferred tax asset recognition is based on entity only future taxable profits with deferred tax assets expected to reverse in future periods.

At the balance sheet date, the Group has unused tax losses of £153.1m (2015: £210.4m; 2014: £375.1m) and capital losses of £8.6m (2015: £11.6m; 2014: £11.6m) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams within the relevant subsidiaries.

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		
	2016 £'m	2015 £'m	2014 £'m
Amounts payable under finance leases:			
Within one year	**0.9**	0.4	1.0
In the second to fifth years inclusive	**2.9**	0.2	0.6
Less future finance charges	**(0.4)**	–	(0.1)
Present value of lease obligations	**3.4**	0.6	1.5

	Present value of minimum lease payments		
	2016 £'m	2015 £'m	2014 £'m
Amounts payable under finance leases:			
Within one year	**0.9**	0.4	1.0
In the second to fifth years inclusive	**2.5**	0.2	0.5
Present value of lease obligations	**3.4**	0.6	1.5
Analysed as:			
Amounts due for settlement within 12 months	**0.9**	0.4	1.0
Amounts due for settlement after 12 months	**2.5**	0.2	0.5
	3.4	0.6	1.5

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. For the period ended 30 June 2016, the average effective borrowing rate was 5.15% (2015: 4.34%; 2014: 4.77%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in notes 16 and 17.

27. TRADE AND OTHER PAYABLES

	2016 £'m	2015 £'m	2014 £'m
Trade creditors	**301.3**	265.2	211.4
Amounts owed to group undertakings	**0.1**	–	0.7
Other taxation and social security	**34.4**	28.5	38.4
Other creditors	**22.2**	21.7	22.9
Accruals	**142.7**	152.6	157.3
	500.7	468.0	430.7

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 74 days (2015: 78 days).

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

The directors consider that the carrying amount of trade payables approximates to their fair value.

28. PROVISIONS FOR LIABILITIES

	Regulatory provisions £'m	Restructuring provisions £'m	Total £'m
At 1 July 2015	16.0	7.6	23.6
Charged to the income statement	40.4	3.1	43.5
Utilised during the year	(40.8)	(4.9)	(45.7)
At 30 June 2016	15.6	5.8	21.4

	Regulatory provisions £'m	Restructuring provisions £'m	Total £'m
At 1 July 2014	13.3	3.2	16.5
Charged to the income statement	17.4	5.7	23.1
Utilised during the year	(14.7)	(1.3)	(16.0)
At 30 June 2015	16.0	7.6	23.6

It is estimated that the provisions will be utilised over the next financial year.

29. SHARE CAPITAL

	2016 £'m	2015 £'m	2014 £'m
Allotted, called-up and fully paid:			
100,000,000 ordinary shares of £1 each	**100.0**	100.0	100.0

30. RETIREMENT BENEFIT OBLIGATIONS

DEFINED CONTRIBUTION SCHEME

The Group has established and operates a contributory pension scheme for all employees; the Shop Direct Group Personal Pension Plan. This defined contribution scheme is in compliance with employer pension duties in accordance with part 1 of the Pensions Act 2008, including auto enrolment requirements.

Contributions to the defined contribution schemes are also charged to the income statement. The total cost of the contributions to all the schemes within these accounts amounted to £6.0m (2015: £6.0m). At 30 June 2016 there were pension contributions payable of £0.8m (2015: £0.8m).

DEFINED BENEFIT SCHEMES

The Group participates in the following pension arrangements:

(a) The Littlewoods Pensions Scheme ("Scheme"), which is a defined benefit arrangement based on final pensionable salaries. The pension scheme is set up under trust and the assets of the scheme are held separately from those of the Company. The fund is valued at intervals not exceeding three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary and agreed by the parent undertaking and all other Shop Direct Holdings Limited group companies and the Scheme Trustee. The Scheme was closed to new entrants with effect from 1 October 2001 and is closed to future accrual.

(b) From 1 December 2003 certain employees of the Company were eligible for membership of the Shop Direct Group Limited Pension Plan ("Plan"). The Plan was set up following the acquisition by Shop Direct Holdings Limited of the UK home shopping businesses from GUS plc. The Plan is a defined benefit arrangement based on final pensionable salaries, the assets of which are held in a separate trustee administered fund. The fund is valued at intervals not exceeding three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary and agreed between the company and the Plan Trustee. The Plan was closed to new entrants with effect from 28 February 2011 and was closed to future accrual.

(c) From 1 October 2001 certain employees of the Company were eligible for membership of funded defined contribution stakeholder pension schemes to which employees and the Company contribute.

(d) There is an unfunded unapproved retirement benefit arrangement ("UURBS") which provides a benefit on retirement equal to the additional pension the member would have accrued had he not been subject to the Earnings Cap in the Littlewoods Pensions Scheme and the Shop Direct Group Limited Pension Plan. The Group makes benefit payments directly as they fall due.

(e) An ex-gratia arrangement was originally set up to provide a benefit at retirement to employees who were not members of the GUS Pension Scheme. During 1998, GUS introduced a new money purchase scheme. All employees not already members of the final salary scheme were invited to join and those who did ceased accrual within the ex-gratia arrangement; the remainder continue to accrue benefits. No new employees have been granted membership of the ex-gratia arrangement since the introduction of the GUS Money Purchase Scheme in 1998. The arrangement is unfunded and provides a lump sum on retirement for employees in service at that time. The Company makes benefit payments directly as they fall due.

EX-GRATIA AND UURBS ARRANGEMENTS

An independent actuary has estimated the ex-gratia and UURBS liabilities relating to the Group. Employee turnover is assumed to be at the rate of 10% (2015: 10%) per annum for employees under age 55 and all employees who remain in service will retire at age 65.

30. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The major assumptions used by the actuaries for valuing both funded and unfunded liabilities were:

	2016	2015
Rate of increase in pensionable salaries	**3.2%**	3.6%
Rate of increase in pensions in payment if RPI 5%	**2.6%**	3.1%
Rate of increase in pensions in payment if RPI 2.5%	**2.0%**	2.3%
Discount rate	**2.9%**	3.8%
Rate of increases in pensions in deferment	**1.7%**	2.1%
RPI inflation assumption	**2.7%**	3.1%
CPI inflation assumption	**1.7%**	2.1%

MORTALITY ASSUMPTIONS

The life expectancy assumptions used by the actuaries for valuing both funded and unfunded liabilities were:

	Male: 65 year old retiring in the current year		Male: retiring in 25 years aged 65		Female: 65 year old retiring in the current year		Female: retiring in 25 years aged 65	
	2016 years	2015 years	**2016 years**	2015 years	**2016 years**	2015 years	**2016 years**	2015 years
Scheme	**22.1**	22.7	**23.9**	24.4	**23.3**	24.1	**25.6**	26.5
Plan	**23.9**	24.4	**26.1**	26.8	**25.9**	26.8	**28.3**	29.2
UURBS	**22.1**	22.7	**23.9**	24.4	**23.3**	24.0	**25.6**	26.4

There is no mortality assumption for the ex-gratia liabilities since benefits are paid in a lump sum on retirement.

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

			2016			2015
	Scheme and Plan £'m	**Ex-gratia and UURBS £'m**	**Total £'m**	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m
Current service (cost)/credit	**(0.5)**	**–**	**(0.5)**	(0.2)	1.2	1.0
Included within administrative expenses	**(0.5)**	**–**	**(0.5)**	(0.2)	1.2	1.0
Net interest expense included within finance costs (note 12)	**(2.4)**	**(0.1)**	**(2.5)**	1.4	(0.1)	1.3
Components of defined benefit costs recognised in profit or loss	**(2.9)**	**(0.1)**	**(3.0)**	1.2	1.1	2.3

Amounts recognised in the statement of comprehensive income are as follows:

			2016			2015
	Scheme and Plan £'m	**Ex-gratia and UURBS £'m**	**Total £'m**	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m
The return on plan assets (excluding amounts included in net interest expense)	**231.2**	**–**	**231.2**	128.6	–	128.6
Actuarial (losses)/gains	**(38.0)**	**0.1**	**(37.9)**	(80.1)	(0.1)	(80.2)
Adjustments for restrictions on the defined benefit asset	**(198.8)**	**–**	**(198.8)**	(47.0)	–	(47.0)
Remeasurement of the net defined benefit liability	**(5.6)**	**0.1**	**(5.5)**	1.5	(0.1)	1.4

30. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2016			2015		
	Scheme and Plan £'m	**Ex-gratia and UURBS £'m**	**Total £'m**	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m
Present value of defined benefit obligations	**(1,211.2)**	**(2.3)**	**(1,213.5)**	(1,195.5)	(2.3)	(1,197.8)
Fair value of plan assets	**1,535.3**	**–**	**1,535.3**	1,308.2	–	1,308.2
Funded status	**324.1**	**(2.3)**	**321.8**	112.7	(2.3)	110.4
Restrictions on asset recognised	**(324.1)**	**–**	**(324.1)**	(112.7)	–	(112.7)
IFRIC 14 liability	**(64.8)**	**–**	**(64.8)**	(70.2)	–	(70.2)
Net liability arising from defined benefit obligation	**(64.8)**	**(2.3)**	**(67.1)**	(70.2)	(2.3)	(72.5)

An asset ceiling has been imposed as the Group is unable to realise the surplus on the Scheme and Plan. In addition, under IFRIC 14, the Group has recognised an additional liability to reflect the value of future funding commitments. This may give rise to a future non-realisable surplus.

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

	2016			2015		
	Scheme and Plan £'m	**Ex-gratia and UURBS £'m**	**Total £'m**	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m
Opening defined benefit obligation	**(1,195.5)**	**(2.3)**	**(1,197.8)**	(1,120.1)	(3.2)	(1,123.3)
Movement in year:						
Current service (cost)/credit	**(0.2)**	**–**	**(0.2)**	(0.2)	1.2	1.0
Interest cost	**(44.0)**	**(0.1)**	**(44.1)**	(47.2)	(0.1)	(47.3)
Actuarial (losses)/gains	**(42.8)**	**0.1**	**(42.7)**	(80.1)	(0.1)	(80.2)
Benefits paid	**60.0**	**–**	**60.0**	46.1	(0.1)	46.0
Liabilities extinguished on settlements	**11.3**	**–**	**11.3**	6.0	–	6.0
Closing defined benefit obligation	**(1,211.2)**	**(2.3)**	**(1,213.5)**	(1,195.5)	(2.3)	(1,197.8)

Movements in the fair value of plan assets in the year were as follows:

	2016			2015		
	Scheme and Plan £'m	**Ex-gratia and UURBS £'m**	**Total £'m**	Scheme and Plan £'m	Ex-gratia and UURBS £'m	Total £'m
Opening fair value of plan assets	**1,308.2**	**–**	**1,308.2**	1,170.5	–	1,170.5
Movement in year:						
Current service cost	**(0.2)**	**–**	**(0.2)**	–	–	–
Interest income	**48.8**	**–**	**48.8**	48.7	–	48.7
The return on plan assets (excluding amounts included in net interest expense)	**231.2**	**–**	**231.2**	128.6	–	128.6
Actuarial gains	**4.8**	**–**	**4.8**	–	–	–
Contributions from the employer	**13.8**	**–**	**13.8**	12.5	–	12.5
Benefits paid	**(60.0)**	**–**	**(60.0)**	(46.1)	–	(46.1)
Assets distributed on settlements	**(11.3)**	**–**	**(11.3)**	(6.0)	–	(6.0)
Closing fair value of plan assets	**1,535.3**	**–**	**1,535.3**	1,308.2	–	1,308.2

30. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2016 £'m	2015 £'m
Cash and equivalents	**74.6**	27.9
Equity instruments	**499.0**	599.8
Derivatives	**961.7**	680.5
Total	**1,535.3**	1,308.2

The actual return on plan assets was £280.0m (2015: £177.3m).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 25 basis points higher, the defined benefit obligation would decrease by £1.1m (2015: £1.1m).

If the discount rate is 25 basis points lower, the defined benefit obligation would increase by £1.2m (2015: £1.2m).

If the price inflation rate is 25 basis points higher, the defined benefit obligation would increase by £1.2m (2015: £1.2m).

If the post retirement mortality assumption reduces by one year for both men and women, the defined benefit obligation would reduce by £1.2m (2015: £1.2m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

There has been no change in the processes used by the Group to manage its risks from prior years.

The Group expects to make a contribution of £14.5m (2015: £11.7m) to the defined benefit schemes during the next financial year.

31. NOTES TO THE CASH FLOW STATEMENT

	2016 £'m	2015 £'m
Profit for the year	**97.1**	144.5
Adjustments for:		
Share of profits of joint ventures	**–**	(0.6)
Finance costs	**51.9**	49.4
Income tax charge/(credit)	**8.5**	(37.6)
Gain on disposal of discontinued operations	**–**	(17.4)
Depreciation of property, plant and equipment	**2.4**	7.4
Amortisation of intangible assets	**24.8**	26.0
Profit on disposal property, plant and equipment	**–**	0.6
Fair value adjustments to financial instruments	**(6.4)**	(8.4)
(Decrease)/increase in provisions	**(2.2)**	7.1
Adjustment for pensions	**(14.3)**	(1.3)
Operating cash flows before movements in working capital	**161.8**	169.7
(Increase)/decrease in inventories	**(2.2)**	1.5
Increase in receivables	**(367.9)**	(144.3)
Increase/(decrease) in payables	**30.6**	(6.1)
Cash (absorbed)/generated by operations	**(177.7)**	20.8
Income taxes paid	**(1.5)**	(0.4)
Interest paid	**(51.9)**	(49.5)
Net cash outflow from operating activities	**(231.1)**	(29.1)

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

31. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

CASH AND CASH EQUIVALENTS

	2016 £'m	2015 £'m	2014 £'m
Cash and bank balances	**35.8**	15.2	56.6
Bank overdrafts	**(61.5)**	(90.4)	(84.4)
	(25.7)	(75.2)	(27.8)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of 12 months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to fair value.

32. 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 23, cash and cash equivalents disclosed in note 31 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

GEARING RATIO

The gearing ratio at the year end is as follows:

	2016 £'m	2015 £'m	2014 £'m
Debt	**1,545.4**	1,241.8	1,292.5
Cash and bank balances	**(35.8)**	(15.2)	(56.6)
Net debt	**1,509.6**	1,226.6	1,235.9
Equity	**559.2**	464.3	319.0
Gearing ratio	**270%**	264%	387%

Debt is defined as long and short-term borrowings as detailed in note 23. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

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 3.

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. The Group's treasury policies and procedures are periodically reviewed and approved by the Executive Board.

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2016 £'m	2015 £'m	2014 £'m
USD forex forwards committed	**63.6**	115.4	173.2

At 30 June 2016, the fair value of forward foreign exchange contracts recognised within financial assets was £8.3m (2015: asset of £1.9m; 2014: liability of £6.5m).

FOREIGN CURRENCY SENSITIVITY ANALYSIS

At 30 June 2016, a 5% movement in Sterling against the Euro or US dollars would not be deemed to have a material impact on the profit for the year before tax.

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk, as entities in the Group borrow at floating interest rates.

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 year ended 30 June 2016 would decrease by £7.6m (2015: £6.2m).

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

CREDIT RISK MANAGEMENT

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

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

LIQUIDITY RISK MANAGEMENT

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 23 is a description of the facilities that the Group has at its disposal and details of the Group's remaining contractual maturity for its non-derivative financial liabilities.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

CATEGORIES OF FINANCIAL INSTRUMENTS

	2016 £'m	2015 £'m	2014 £'m
Financial assets			
Cash and bank balances	**35.8**	15.2	56.6
Derivatives at fair value through profit or loss – held for trading	**8.3**	1.9	–
Loans and receivables	**1,391.1**	1,339.2	1,317.2
	1,435.2	1,356.3	1,373.8
Financial liabilities			
Derivatives at fair value through profit or loss – held for trading	**–**	–	(6.5)
Amortised cost	**(1,849.6)**	(1,507.0)	(1,503.9)
	(1,849.6)	(1,507.0)	(1,510.4)

33. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the note. Transactions between the Group and its fellow group companies are disclosed below.

During the year, Group companies entered into the following transactions with fellow group companies and related parties who are not members of the Shop Direct Limited Group:

	Recharged costs		Purchase of services	
	2016 £'m	2015 £'m	2016 £'m	2015 £'m
Shop Direct Holdings Limited	**1.3**	13.0	**–**	–
Yodel Delivery Network Limited	**4.1**	5.4	**(106.0)**	(132.2)
Arrow XL Limited	**0.8**	0.7	**(22.4)**	(0.7)
	6.2	19.1	**(128.4)**	(133.9)

At 30 June, the Group had the following balances outstanding with its fellow group companies:

	Amounts due from fellow group undertakings			Amounts due to fellow group undertakings		
	2016 £'m	2015 £'m	2014 £'m	2016 £'m	2015 £'m	2014 £'m
Shop Direct Holdings Limited	**722.9**	426.6	190.7	**–**	–	–
Old Hall Street Properties Limited	**–**	–	78.0	**–**	–	–
CDMS Limited	**–**	–	–	**–**	–	0.7
Yodel Delivery Network Limited	**1.4**	11.2	0.6	**–**	–	–
Arrow XL Limited	**–**	–	–	**0.1**	–	–
	724.3	437.8	269.3	**0.1**	–	0.7

The amounts outstanding are unsecured and repayable on demand. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Group contributions to pension schemes are disclosed in note 30.

34. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(a) Capital commitments

	2016 £'m	2015 £'m	2014 £'m
Capital expenditure contracted for but not provided in the financial statements	**0.9**	2.2	2.0

Capital commitments include expenditure on tangible and intangible assets.

(b) Operating lease commitments

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	2014 £'m
Within one year	**6.7**	8.5	3.3
In the second to fifth years inclusive	**22.0**	31.2	10.4
After five years	**25.7**	25.9	3.5
	54.4	65.6	17.2

(c) At 30 June 2016 commitments to purchase stock totalled £149.4m (2015: £151.2m; 2014: £153.7m) which is considered to be the fair value.

(d) The Group has in place contracts for the provision of outsourced service functions. At 30 June 2016 the annual committed cost under these contracts is £52.7m (2015: £76.5m; 2014: £74.7m). These contracts expire in 2021 and 2022.

35. ULTIMATE CONTROLLING PARTY

The immediate holding company is Shop Direct Holdings Limited, a company registered in England and Wales. The smallest and largest UK group into which the results of the Company are consolidated is the report and financial statements of Shop Direct Holdings Limited, a company registered in England and Wales, which the directors regard as being controlled by the Sir David Barclay and Sir Frederick Barclay Family Settlements.

36. IMPACT OF TRANSITION TO IFRS

As stated in note 1, the Group has transitioned from United Kingdom Generally Accepted Accounting Practice (UK GAAP) to IFRS during the current financial year.

The accounting policies set out in note 3 have been applied in preparing these financial statements and comparative information and in the preparation of an opening IFRS balance sheet at 1 July 2014.

In preparing its opening IFRS balance sheet the Group has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below:

RECONCILIATION OF PROFIT FOR THE YEAR ENDED 30 JUNE 2015

		UK GAAP £'m	Impact of transition £'m	IFRS £'m
Continuing operations				
Revenue	A	1,779.4	4.2	1,783.6
Cost of sales	A	(1,067.3)	7.2	(1,060.1)
Gross profit		712.1	11.4	723.5
Other operating income		0.8	–	0.8
Distribution costs		(219.0)	–	(219.0)
Administrative expenses	A,G,D	(402.9)	59.3	(343.6)
Exceptional items and amortisation	C,G	(32.2)	6.8	(25.4)
		(653.3)	66.1	(587.2)
Operating profit		58.8	77.5	136.3
Investment income		0.1	–	0.1
Interest payable	A	(5.6)	(42.6)	(48.2)
Profit before tax		53.3	34.9	88.2
Tax		37.6	–	37.6
Profit for the year from continuing operations		90.9	34.9	125.8
Discontinued operations				
Profit for the year from discontinued operations		18.7	–	18.7
Profit for the year		109.6	34.9	144.5
Revaluation surplus		1.0	–	1.0
Actuarial gain on pension scheme		–	1.4	1.4
Foreign exchange movement		(1.7)	0.1	(1.6)
Other comprehensive income		(0.7)	1.5	0.8
Total comprehensive income		108.9	36.4	145.3

36. IMPACT OF TRANSITION TO IFRS (CONTINUED)

RECONCILIATION OF EQUITY

		30 June 2015 UK GAAP £'m	30 June 2015 Impact of transition £'m	30 June 2015 IFRS £'m	1 July 2014 UK GAAP £'m	1 July 2014 Impact of transition £'m	1 July 2014 IFRS £'m
Non-current assets							
Goodwill	C	276.7	(24.2)	252.5	300.5	(48.0)	252.5
Other intangible assets	G	5.3	94.6	99.9	5.7	90.3	96.0
Property, plant and equipment		105.2	(98.7)	6.5	186.1	(97.1)	89.0
Investment property		–	–	–	19.7	–	19.7
Interests in joint ventures		–	–	–	9.3	–	9.3
Deferred tax asset		43.0	–	43.0	6.4	–	6.4
		430.2	(28.3)	401.9	527.7	(54.8)	472.9
Current assets							
Inventories		98.8	–	98.8	100.3	–	100.3
Trade and other receivables		735.2	1,151.4	1,886.6	539.9	1,142.7	1,682.6
Cash and bank balances		15.2	–	15.2	56.6	–	56.6
Derivative financial instruments	D	–	1.9	1.9	–	–	–
		849.2	1,153.3	2,002.5	696.8	1,142.7	1,839.5
Total assets		1,279.4	1,125.0	2,404.4	1,224.5	1,087.9	2,312.4
Current liabilities							
Trade and other payables	E	(484.5)	16.5	(468.0)	(446.2)	15.5	(430.7)
Current tax liabilities		–	–	–	(2.3)	–	(2.3)
Obligations under finance leases		(0.4)	–	(0.4)	(1.0)	–	(1.0)
Borrowings		(90.4)	–	(90.4)	(98.4)	–	(98.4)
Provisions		(7.6)	(16.0)	(23.6)	(3.2)	(13.3)	(16.5)
Deferred revenue		(82.7)	–	(82.7)	(125.1)	–	(125.1)
Derivative financial instruments	D	–	–	–	–	(6.5)	(6.5)
		(665.6)	0.5	(665.1)	(676.2)	(4.3)	(680.5)
Non-current liabilities							
Borrowings		–	–	–	(51.4)	–	(51.4)
Non-recourse borrowings	B	–	(1,151.4)	(1,151.4)	–	(1,142.7)	(1,142.7)
Retirement benefit obligations	F	(1.8)	(70.7)	(72.5)	(2.2)	(73.9)	(76.1)
Deferred revenue		(50.9)	–	(50.9)	(42.2)	–	(42.2)
Obligations under finance leases		(0.2)	–	(0.2)	(0.5)	–	(0.5)
		(52.9)	(1,222.1)	(1,275.0)	(96.3)	(1,216.6)	(1,312.9)
Total liabilities		(718.5)	(1,221.6)	(1,940.1)	(772.5)	(1,220.9)	(1,993.4)
Net assets		560.9	(96.6)	464.3	452.0	(133.0)	319.0
Share capital		100.0	–	100.0	100.0	–	100.0
Other reserves		500.0	–	500.0	516.0	–	516.0
Retained earnings		(39.1)	(96.6)	(135.7)	(164.0)	(133.0)	(297.0)
Total equity		560.9	(96.6)	464.3	452.0	(133.0)	319.0

36. IMPACT OF TRANSITION TO IFRS (CONTINUED)

NOTES TO THE RECONCILIATION OF PROFIT AND RECONCILIATION OF EQUITY

A Reclassifications in the income statement

Adjustments have been made to revenue, cost of sales and administrative expenses to reclassify costs in relation to discounts, vouchers and other customer incentives.

Charges for regulatory provisions have been reclassified from administrative expenses to exceptional items to reflect their nature, see note 7 for the charge in each year.

B Non-recourse borrowings

Under IFRS, linked presentation cannot be adopted, therefore the non-recourse borrowings have been shown separately from trade receivables and the interest on those borrowings of £44.0m for the year ended 30 June 2015 has been reclassified from revenue to interest payable.

C Goodwill

Under IFRS, the accounting policy for goodwill is such that goodwill is not amortised but is tested annually for impairment. As such the carrying value of goodwill was restored to the value at 30 June 2014, with an impairment charge of £48.0m recognised on transition. The annual amortisation charge of £23.8m has been reversed.

D Other financial assets and liabilities

Under IFRS, the fair value of the outstanding forward exchange contracts that the Group is committed to has been included as an asset on the balance sheet with the movement being charged or credited to income in the year.

E Foreign currency translation

Foreign trade creditors have been revalued at the spot rate at the end of the year, resulting in an adjustment of £1.8m for the year 30 June 2015.

F Retirement benefit obligations

The retirement benefit obligations have been restated in accordance with IAS 19R: Employee Benefits and IFRIC 14. This has resulted in a reduction in costs of £1.8m for the year ended 30 June 2015 in order to apply IAS 19R.

IFRIC 14 requires a liability to be recognised for funding commitments; this has been recognised at each year end.

G Intangible assets

Under IFRS, computer software costs are recognised as intangible assets, rather than property, plant and equipment, and amortised over their useful economic life. As such, these assets have been reclassified from property, plant and equipment to intangibles. In addition, an impairment charge of £9.9m was recognised on transition, and the depreciation charge of £2.7m in the year ended 30 June 2015 has been reversed.

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT

There are no material differences between the cash flow statement presented under IFRS and that which would have been presented under UK GAAP.

COMPANY BALANCE SHEET

As at 30 June

	Notes	**2016 £'m**	2015 £'m	2014 £'m
Non-current assets				
Investments	39	**995.0**	995.0	1,000.0
Current assets				
Trade and other receivables	41	**1,412.0**	1,117.2	1,162.9
Total assets		**2,407.0**	2,112.2	2,162.9
Current liabilities				
Current tax liabilities		**(1.1)**	–	–
Trade and other payables	42	**(1,546.8)**	(1,257.5)	(1,379.5)
Total liabilities		**(1,547.9)**	(1,257.5)	(1,379.5)
Net assets		**859.1**	854.7	783.4
Equity				
Share capital	43	**100.0**	100.0	100.0
Capital contribution reserve		**–**	500.0	500.0
Retained earnings		**759.1**	254.7	183.4
Total equity		**859.1**	854.7	783.4
Equity attributable to owners of the Company		**859.1**	854.7	783.4

The financial statements of Shop Direct Limited, company number 04730752, were approved by the Board of Directors on 5 September 2016.

Signed on its behalf

A BALDOCK
DIRECTOR

G PATERAS
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Capital contribution reserve £'m	Retained earnings £'m	Total £'m
Changes in equity for the year ended 30 June 2016				
Balance as at 1 July 2015	100.0	500.0	254.7	854.7
Profit for the year	–	–	4.4	4.4
Share issue	500.0	(500.0)	–	–
Capital reduction	(500.0)	–	500.0	–
	–	(500.0)	504.4	4.4
Balance at 30 June 2016	100.0	–	759.1	859.1
Changes in equity for the year ended 30 June 2015				
Balance as at 1 July 2014	100.0	500.0	183.4	783.4
Profit for the year	–	–	71.3	71.3
Balance at 30 June 2015	100.0	500.0	254.7	854.7

The capital contribution reserve related to the acquisition of LW Finance Limited from Shop Direct Holdings Limited in 2008 for nil consideration. The directors fair valued the investment at £500.0m and as such created a capital contribution reserve of £500.0m.

During the year there was a bonus issue of 500m ordinary shares of £1 each fully paid up using the capital contribution reserve. Subsequent to this there was a capital reduction of £500.0m.

37. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Shop Direct Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The Company is the parent undertaking of the Group and also prepares consolidated financial statements. The separate financial statements of the Company are presented as required by the Companies Act 2006. In the year ended 30 June 2016 the Company has decided to adopt FRS 101 and has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash-flow statement and all related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

The only critical accounting judgment or key source of estimation uncertainty that is relevant for the Company is in relation to the carrying value of the investments in subsidiaries. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The accounts are drawn up to the Saturday nearest to 30 June, or to 30 June where this falls on a Saturday.

38. PROFIT OF THE COMPANY

The profit on ordinary activities after taxation for the year ended 30 June 2016 attributable to the Company amounted to £4.4m (2015: £71.3m). The Company has taken advantage of Section 408 of the Companies Act 2006 and has not published its own income statement.

The auditor's remuneration for audit and other services is disclosed in note 9 to the consolidated financial statements.

39. INVESTMENTS

	£'m
Shares in group undertakings:	
Cost	
At 1 July 2014	1,440.5
Disposal of subsidiaries	(5.0)
At 30 June 2015 and 30 June 2016	1,435.5
Provision for impairment	
At 1 July 2014, 1 July 2015 and 30 June 2016	(440.5)
Net book value	
At 30 June 2015 and 30 June 2016	995.0
At 30 June 2014	1,000.0

Details of all subsidiary undertakings are disclosed in note 40.

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2016

40. SUBSIDIARIES

Except where stated otherwise, subsidiary undertakings are incorporated in England and Wales, carry out their principal operations in the country of incorporation, and the Company owns 100% of the ordinary share capital. The information below is stated as at 30 June 2016.

Subsidiary undertakings	Nature of business
Shop Direct Home Shopping Limited*	Retail
Shop Direct Licensing Limited*	Retail
Littlewoods Clearance Limited	Retail
Source Direct International Limited (Hong Kong)*	Merchandise sourcing
LW Finance Limited	Intermediate holding company
LW Investments Limited*	Intermediate holding company
Littlewoods Limited*	Intermediate holding company
Shop Direct Group Financial Services Limited	Intermediate holding company
Shop Direct Finance Company Limited*	Financial services
Shop Direct Financial Services Limited*	Financial services
Littlewoods Direct Recoveries Limited*	Debt recovery
Douglas Insurance Limited (Isle of Man)	Insurance company
Douglas Insurance (Gibraltar) Limited (Gibraltar)	Insurance company
Shoppers Universe Limited	Dormant
Shop Direct Contact Centres Limited	Dormant
Abound Limited	Dormant
Brian Mills Limited*	Dormant
Burlington Warehouses Limited*	Dormant
Business Express Network Limited*	Dormant
Catalogue Bargain Shop Limited*	Dormant
Exind Limited*	Dormant
Family Album Limited	Dormant
GCC Debt Recovery Limited	Dormant
Innovations Group Limited*	Dormant
Janet Frazer Limited*	Dormant
J&C Moores (Direct) Limited*	Dormant
John Moores Home Shopping Service Limited*	Dormant
Kay & Company Limited	Dormant
Kays Personal Selection Limited	Dormant
Lewis U.K. Limited*	Dormant
Littlewoods Finance Company Limited*	Dormant
Littlewoods Home Shopping Finance Limited*	Dormant
Littlewoods Home Shopping Limited*	Dormant
Littlewoods Retail Limited*	Dormant
Littlewoods Warehouses Limited*	Dormant
Littlewoods7 Limited*	Dormant
Love Label Limited*	Dormant
Marshall Ward Limited	Dormant
M C Hitchen & Sons Limited*	Dormant
Nationwide Debt Recovery Limited*	Dormant
Peter Craig Limited*	Dormant
Reality Group Limited	Dormant
Reality Ventures Limited	Dormant
Shop Direct Company Director Limited*	Dormant
Shop Direct Secretarial Services Limited*	Dormant
Shop Direct Trustees Limited	Dormant
St. James's Street Properties Limited*	Dormant

40. SUBSIDIARIES (CONTINUED)

Subsidiary undertakings	Nature of business
Swan Housewares Limited*	Dormant
The Royal Welsh Warehouse Limited	Dormant
White Arrow Express Limited*	Dormant
White Arrow Leasing Limited*	Dormant
Woolworth Limited*	Dormant
Woolworths Cinema Club Limited*	Dormant
Woolworths Entertainment Group Limited*	Dormant
Woolworths Group Finance Limited*	Dormant
Woolworths Holdings Limited*	Dormant
Woolworths Limited*	Dormant
Woolworths Marketing Limited*	Dormant
Woolworths Media Limited*	Dormant
Woolworths Nominees Limited*	Dormant
Woolworths On Line Limited*	Dormant
Woolworths On Line Shopping Limited*	Dormant
Woolworths Publishing Limited*	Dormant

* Indicates the company was owned by an intermediary company during the financial year.

41. TRADE AND OTHER RECEIVABLES

	2016 £'m	2015 £'m	2014 £'m
Amounts falling due within one year:			
Amounts owed by Group undertakings	**1,412.0**	1,117.2	1,162.9

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

42. TRADE AND OTHER PAYABLES

	2016 £'m	2015 £'m	2014 £'m
Amounts due to fellow group undertakings	**1,546.8**	1,257.5	1,379.5

43. SHARE CAPITAL

	2016 £'m	2015 £'m	2014 £'m
Allotted, called-up and fully paid:			
100,000,000 ordinary shares of £1 each	**100.0**	100.0	100.0

CONTACTS

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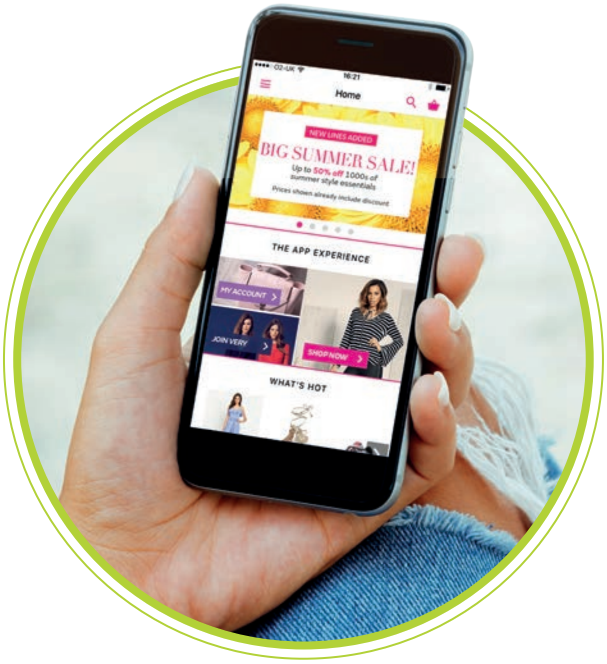
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