SHOP DIRECT

very Littlewoods VERY EXCLUSIVE

BECOMING A WORLD CLASS DIGITAL RETAILER

ANNUAL REVIEW 2014/15

With annual sales of **£1.8bn**, Shop Direct is the **UK's second largest pureplay online retailer**. Our digital department stores Very.co.uk, VeryExclusive.co.uk and Littlewoods.com sell **over 1,100 famous brands**, receive over **a million website visits a day**, with **56% 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

Transform a catalogue business into a world class digital retailer.

OUR PURPOSE

1. MAKE GOOD THINGS
Read more on pages 12-13

2. EASILY ACCESSIBLE
Read more on pages 14-15

3. TO MORE PEOPLE
Read more on pages 16-17

STRATEGIC REPORT

FINANCIAL STATEMENTS

FIND OUT MORE

www.shopdirect.com

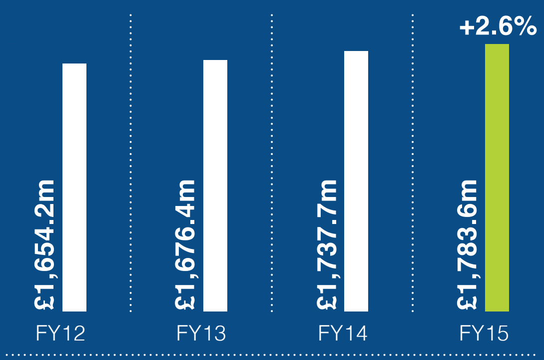
This annual review sets out the pro forma of the Group's results for the years ended 30 June 2014 and 30 June 2015. These financial statements are not the Group's statutory accounts.

OPERATING AND FINANCIAL HIGHLIGHTS

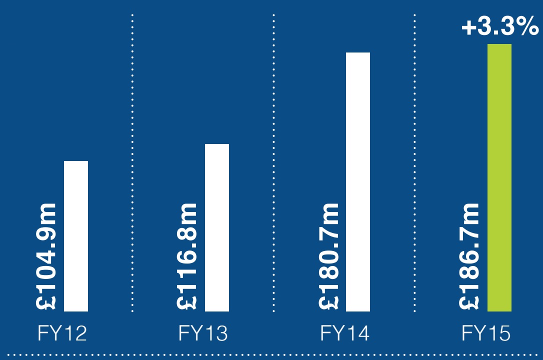
- Group sales up 2.6% to £1,783.6m (FY14: £1.737.7m)
- EBITDA up 3.3% to £186.7m (FY14: £180.7m)
- Adjusted profit before tax[1] up 17.9% to £105.2m (FY14: £89.2m)
- Very.co.uk sales up 17.4% – outpacing the online retail market whilst the planned reduction in Littlewoods sales continued (-10.7%)
- Group gross margin up 30bps to 40.6% (FY14: 40.3%)
- Online transformation continues – 56% of online sales now on mobile devices

1 Adjusted PBT is equal to profit before tax, exceptionals and fair value adjustments from continuing operations

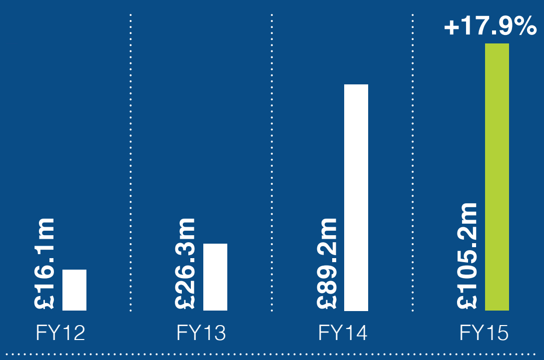
GROUP SALES



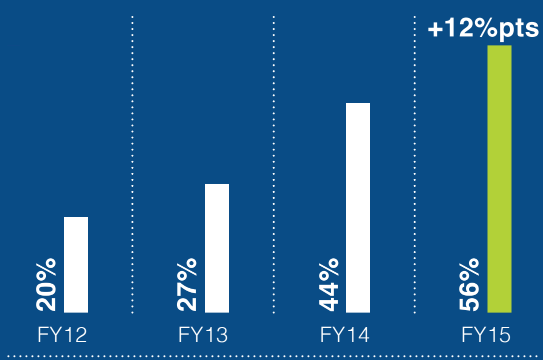
EBITDA



ADJUSTED PROFIT BEFORE TAX



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



OUR BUSINESS AT A GLANCE

Achieved significant transformation from a legacy catalogue business towards a world class digital retailer.

VERY SALES[1]

SALES[1] (FY15)

£967.8m (+17.4%)

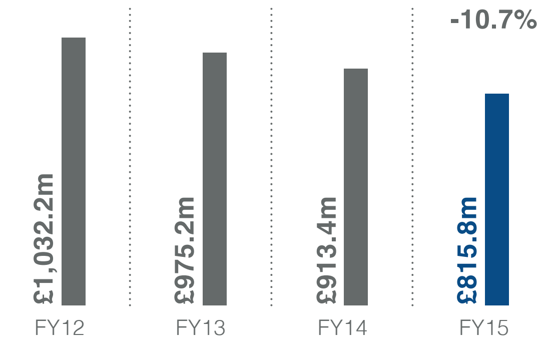
EBITDA CONTRIBUTION[2] (FY15)

£203.4m (+19.7%)

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 28 for more details.

LITTLEWOODS SALES[3]



SALES[3] (FY15)

£815.8m (-10.7%)

EBITDA CONTRIBUTION[4] (FY15)

£199.8m (-0.4%)

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 28 for more details

OUR TIMELINE

A company with a long legacy of serving the UK customer, now transformed into a leading digital retailer.

ESTABLISHMENT OF THE BRANDS

1890s–1990s

Kay & Company founded 1890s

Littlewoods Home Shopping launched 1920s

Telephone ordering launched 1980s

E-commerce launched 1990s

MERGING OF THE BRANDS

2002–2003

Littlewoods sold by the Moores family to the present owners

GUS's home shopping acquired, businesses renamed Shop Direct

very
VERY.CO.UK

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

- The No. 1 online department store for 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 (FY15)

246m (+26.1%)

VERY APP RATING IN APPLE STORE

5*

Littlewoods.com

Established in 1923, our family focussed digital department store has a more traditional proposition and a loyal customer base.

- Offers the big brands our customers desire, for themselves and all the family
- Servicing a wide range of customers from mums to young male gamers
- 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 (FY15)

147m (-2.4%)

CUSTOMERS WITH TENURE OF >5 YEARS

50%

2005

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

Index brand and stores sold to Argos

120 branch Littlewoods high street chain sold to Associated British Foods

Littlewoods Shop Direct Group
The UK's biggest shop @ home group

FOCUSED EXPANSION INTO THE E-COMMERCE MARKET

2009

Created Very.co.uk to drive online sales growth, targeting a younger customer base

2014–2015

Very overtakes Littlewoods to become Shop Direct's largest brand

Very Exclusive launched to target high street luxury segment

VERY EXCLUSIVE

ACCELERATED TRANSFORMATION

FUTURE

Catalogue production ceased after 80 years

Focus on Very and Littlewoods

Enhanced credit offering

Launch of V by Very

Read more:
www.shopdirect.com

GROUP CHIEF EXECUTIVE'S REVIEW

I'm pleased to share results from another record year at Shop Direct – adjusted profit before tax up 17.9% on last year.

"These are exciting times for Shop Direct

OVERVIEW

It has been a big year for us: another record year for profit, powered by Very – the UK's fastest growing department store – and the acceleration of our digital transformation.

FINANCIAL PROGRESS

In a year of significant change we have been able to continue our strong profit trajectory, with adjusted profit before tax up 17.9% at £105.2m. In this third consecutive year of profit growth, what's especially pleasing is the progress we've made across all areas of the business to achieve it.

The growth drivers continue to be Very and mobile. Very continued to outperform the online market, with sales in 2014/15 up 17.4% to £967.8m. Our continued focus on a mobile-first approach is paying off: mobile is now the channel of choice for our customers, accounting for 56% of our online sales and showing little sign of slowing. So a channel that didn't even exist five years ago now accounts for more than half our online sales – that's how rapidly customer needs evolve and how alert we have to be to them.

Good discipline has also contributed to our overall performance: better trading disciplines, focus on costs, and continued improvement in credit and risk management.

Very continues to be the growth engine, but Littlewoods also plays an important role in our business and in our customers' lives. The portfolio strategy of profitably managing the Littlewoods sales decline is working well and supports our investment in Very and our digital future.

STRATEGIC PROGRESS

Our ambition is to transform a catalogue business into a world class digital retailer. Our retailer-led, financial services-enabled model equips us well to do that, giving our customers unrivalled choice, ease and affordability.

We've brought in 180 new brands this year – from River Island, Sonos, Miss Selfridge and Bang & Olufsen in Very to DKNY, Karl Lagerfeld, Kenzo and REDValentino in Very Exclusive. And this means we now offer over 1,100 famous brands to our customers.

Being online-only means more mobile innovation – especially in personalisation, where we aim to offer each customer an experience as unique as she is. We've tailored the whole online experience, including the marketing that brings customers in, the online shop, and the way we engage with them after they've bought.

Our heavy investment in proprietary technology has started to pay off. We'll further accelerate our development with £50m of investment in a new credit environment in partnership with IBM. We will continue to invest in technology that accelerates our progress and helps us maintain our lead.

"We have made some bold decisions this year

Pureplay etailer of the year 2015

ORACLE RetailWeek AWARDS 2015

GROUP CHIEF EXECUTIVE'S REVIEW
continued

As a responsible lender we believe it's important to strengthen and protect our USP. What makes us special is that combination of aspirational brands and market-leading credit, and we've continued to develop our credit risk decision-making capability and anti-fraud measures with the addition of a second credit bureau.

We've also made some bold decisions to accelerate our transformation from catalogue business to world class digital retailer. We called time on the catalogue after 80 years, making us a pureplay etailer dedicated to digital. Only three years ago, nearly three-quarters of our sales came from catalogue customers: that's the pace we've brought to our digital transformation.

We've taken the decision to simplify the business to two retail power brands, making more of the Very brand through the launch of V by Very and revitalisation of our own-brand clothing, and the launch of Very Exclusive with the likes of Vivienne Westwood, Marc by Marc Jacobs and Reiss. VeryExclusive.co.uk will give the luxury market a much-needed shake-up. We're bringing luxury within reach of many who crave a Karl Lagerfeld jacket or a Vivienne Westwood handbag but feel it's out of reach.

FUTURE

Having made the decision to stop the catalogue and simplify our brand portfolio and own-brand clothing, we can now focus on being 100% digital. In FY16 we'll see the benefits of a simpler and more focused business.

For all the progress we've made, we are nowhere near our full potential. We're only just getting started, and there's still much more to do…

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	CUSTOMER INTELLIGENCE EASY CUSTOMER EXPERIENCE PERSONALISATION	CREDIT
	PEOPLE	PROCESS	TECHNOLOGY

Read more:
www.shopdirect.com

KEY PERFORMANCE INDICATORS

for the year ended 30 June 2015

We measure the performance of our business using the following Key performance indicators.

GROUP SALES

£1,783.6m
(+2.6%)

- Very £967.8m (+17.4%)
- Littlewoods £815.8m (-10.7%)

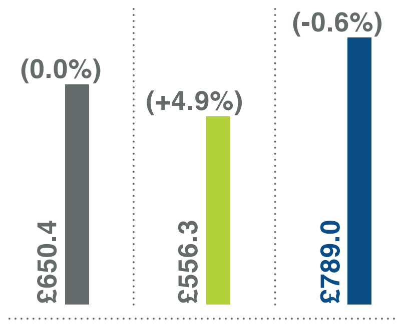
RETAIL

TOTAL ACTIVE CUSTOMERS[1] (CASH & CREDIT)

3.94m
(+1.8%)

- Very 2.35m (+11.7%)
- Littlewoods 1.59m (-9.9%)

DEMAND PER CUSTOMER[2]



Group Very Littlewoods

DEMAND TO SALES CONVERSION[3]

55.7%
(+0.3%pts)

RETAIL SALES

£1,428.5m
(+2.3%)

- Very £734.8m (+18.0%)
- Littlewoods £693.7m (-10.4%)

FINANCIAL SERVICES

AVERAGE DEBTOR BOOK

£1,511.8m
(+0.2%)

INTEREST INCOME % OF DEBTOR BOOK

18.6%
(+0.6%pts)

BAD DEBT % OF DEBTOR BOOK

8.3%
(1.6%pts lower)

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

GROUP FINANCE DIRECTOR'S REVIEW

Strong profit growth was driven by continuing sales expansion at Very.

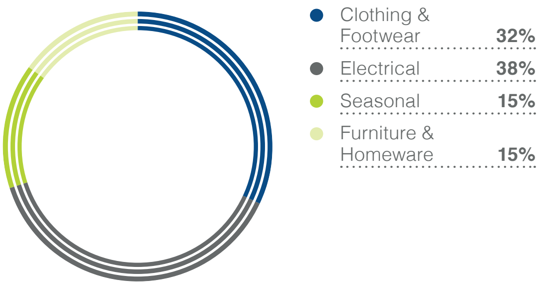
GROUP SALES

Group sales comprise retail and financial services sales, and increased by 2.6% to £1,783.6m (FY14: £1,737.7m) as our power brand, Very.co.uk, continued to outperform the online retail market. Very's sales grew 17.4% to £967.8m (FY14: £824.3m), benefiting from the introduction of relevant new brands and our continued focus on enabling customers to shop conveniently on their mobile devices.

The planned reduction in Littlewoods.com sales continued, with sales down 10.7% to £815.8m (FY14: £913.4m). However, Littlewoods' continuing importance to the Group was evidenced by its stable EBITDA contribution before central costs – down by just 0.3% to £199.8m. Very's contribution rose 19.6% to £203.4m (FY14: £170.0m).

	FY15 £m	FY14 £m	Change %
Very	967.8	824.3	17.4
Littlewoods	815.8	913.4	(10.7)
Group sales	**1,783.6**	**1,737.7**	**2.6**

FY15 RETAIL SALES MIX (%) BY PRODUCT DIVISION



In line with other major clothing retailers and the wider market, we felt some pressure on Clothing & Footwear sales in early Autumn. As a result, despite a stronger performance in Spring/Summer 2015, Clothing & Footwear finished the year down 0.9%.

However, we have once again seen the benefit of our department store model, which gives us resilience against adverse movements in individual consumer categories. In particular, Electrical sales grew 2.8%, driven by a record performance in Autumn/Winter – especially during Cyber Fortnight and the lead-up to Christmas – with Gaming and Telecoms the stand-out performers. Furniture & Homeware grew 1.3%, benefiting from more competitive pricing across key ranges including Silentnight and Yankee Candle, and further quality improvements. Seasonal sales grew 9.8%, driven by Beauty and Leisure & Travel – building on double-digit Seasonal sales growth in the prior year.

CUSTOMERS

As a Group, we continue to attract new customers whilst retaining existing ones. During the year, active customers (defined as having shopped with us over the past 12 months) increased by 1.8% to 3.94m. Demand per customer (average order value multiplied by frequency) was unchanged at Group level, as an increase in Very was offset by a corresponding decline in Littlewoods. Conversion of demand to sales increased by 0.3%pts, mainly reflecting better stock availability.

	FY15 £m	FY14 £m	Change %
Active customers[1] (000s)	3,943	3,872	1.8
Demand per customer[2] (£)	650.4	650.6	0.0
Demand to Sales Conversion[3] %	55.7	55.4	0.3 pts

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

FINANCIAL SERVICES

Our financial services offering continues to play a key role, allowing our customers to spread the costs using a number of unique credit products. Sales increased by 3% year-on-year driven by strong interest income performance with interest income as a percentage of the debtor book increasing by 0.6%pts. The impact of customer quality on the debtor book continues to be a key focus. We have further improved customer quality over recent years and this has provided a benefit to bad debt which as a percentage of the debtor book has decreased by 1.6%pts.

COSTS AND PROFIT

Gross margin rate increased by 0.3%pts to 40.6%. The principal factor was improvement in customer quality, particularly in Very, which helped to reduce bad debt. This more than offset pressure from a lower mix of clothing and footwear which has higher retail margins.

"A record year for profit"

Distribution expenses increased by 1.6% to £219.0m (FY14: £215.6m) reflecting higher volumes. As a percentage of Group sales, distribution costs reduced from 12.4% to 12.3% as we benefited from labour efficiencies, particularly in fulfilment.

Administrative expenses increased by 3.5% to £352.0m (FY14: £340.0m). The principal factors were headcount investment across key areas including e-commerce, IT and Very Exclusive, which launched during the year; continued investment in response to the changing regulatory environment; and higher contact centre costs due to additional volume. These were partially offset by lower marketing costs, as we produced and distributed fewer catalogues.

Total costs as a percentage of Group sales remained flat at 32.0% despite investment to support growth, reflecting our continued focus on cost control.

Net finance costs, which relates mainly to interest on our securitisation facility, reduced by 12.7% to £48.1m (FY14: £55.1m). This was due to a 0.25%pts reduction in interest rates, and non-recurring costs in the prior year relating to the tax charge.

Profit before tax, exceptionals and fair value adjustments rose 17.9% to £105.2m (FY14: £89.2m). As a percentage of Group sales, the increase was 0.8%pts to 5.9%.

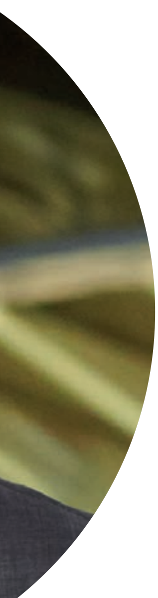
Profit before tax which includes exceptional costs and fair value adjustments rose 35.3% to £88.2m (FY14: £65.2m). Exceptional costs of £25.4m (FY14: £12.3m) relate to regulatory provisions and restructuring costs.

INCOME STATEMENT – CONTINUING OPERATIONS

	FY15 £m	FY14 £m	Change %
Group sales	1,783.6	1,737.7	2.6
Gross margin	723.5	699.9	3.4
Gross margin rate %	40.6%	40.3%	0.3 pts
Distribution expenses	(219.0)	(215.6)	
Administrative expenses	(352.0)	(340.0)	
Other operating income	0.8	0.0	
Operating profit before exceptionals and fair value adjustments	**153.3**	**144.3**	**6.2**
Net Finance Costs	(48.1)	(55.1)	
Profit before tax, exceptionals and fair value adjustments	**105.2**	**89.2**	**17.9**
Exceptional items	(25.4)	(12.3)	
Fair value adjustments to financial instruments	8.4	(11.7)	
Profit before tax	**88.2**	**65.2**	**35.3**

TAXATION

The tax credit of £37.6m during the period includes a credit of £38.0m in relation to the recognition of a deferred tax asset which relates to the proportion of tax losses which are expected to be recoverable against future taxable profits; and a corporation tax charge of £0.4m.



CAPITAL INVESTMENT

Total capital expenditure for the year was £30.7m (FY14: £35.7m). A significant proportion of this spend was dedicated to improving the customer experience through investment in areas such as personalisation, user experience testing and development, m-commerce, and crunching 'big data' to gain customer insights. Our financial services investment centred on security initiatives to protect data and prevent fraud. To maintain market-leading standards of service, we are investing £50m over the next two to three years so we can personalise the offers we provide to our customers, develop new credit products and respond quickly to regulatory change.

BALANCE SHEET

Net assets increased 45.5% to £464.3m (FY14: £319.0m), driven principally by the Group's profit after tax.

Improved stock management helped to reduce inventory by 1.5% to £98.8m (FY14: £100.3m). Trade and other receivables increased by 12.1% to £1,886.6m (FY14: £1,682.6m), driven by loans to Group undertakings and sales growth. Trade and other payables increased by 8.7% to £468.0m (FY14: £430.7m), reflecting improvement in supplier payment terms and year-on-year sales growth.

DISCONTINUED OPERATIONS

During the year we sold our 100% interest in a number of property companies to a fellow Group company and disposed of two joint ventures as we focus on core operations. The total profit of £18.7m (FY14: loss of £4.5m) attributable to discontinued operations has been included in the consolidated income statement and cash flows.

DIVIDENDS

The directors do not recommend the payment of a dividend (2014: £nil).

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 financial position – including cash flows, liquidity position and borrowing facilities, and the principal risks and uncertainties it faces. Further details are included on page 18.

Taking account of reasonably foreseeable changes in trading performance, our forecasts and projections show that the Group will have sufficient headroom within its current loan facilities. After making appropriate enquiries, the directors believe they can reasonably expect that the Company and the Group will have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to prepare the Annual Report and Financial Statements on a going concern basis.

GREG PATERAS
GROUP FINANCE DIRECTOR

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	CUSTOMER INTELLIGENCE
What it means	'Good things' is all about choice – so we aim to offer an unbeatable range of branded and own-branded options. Today we're the UK's top online department store for big-name brands. Read more on pages 12-13	We want to make life easy for customers – getting to know them better, so we can offer them a personalised and seamless experience across all channels.
Our progress in 2014/15	• Added over 30 brands including Boss Orange, Sonos, The North Face, Bang & Olufsen, Miss Selfridge and River Island. • Launched Very Exclusive, with 150 luxury and high street luxury brands. • A record Black Friday, with Very orders up 134% over prior year. **180** New brands	• Used survey data to analyse customers' share of wallet spend on different segments, with us and our competitors. • Used a survey of 4,000 people to deepen our understanding of Very target customers and refine the Very brand proposition. **4,000** Consumers surveyed

PRIORITIES FOR 2015/16

1. GOING PAPERLESS
Catalogue production ceasing after 80 years.

2. TWO RETAIL POWER BRANDS
Focus on retail brands Very and Littlewoods, down from six last year.

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 customers want.

Read more on pages 14-15

- Launched a dedicated Very app for mobiles – which are now the brand's largest sales channel.
- Our in-house user experience lab won recognition for innovation at the Retail Week Awards. Successful introductions included persuasive 'nudge' messaging, which improved conversion by 1.5%.

500+

Experiments in-house to improve user experience

PERSONALISATION

We're using technology to make better use of everything we know about our customers – so they can depend on us to bring them just what they want, and not what they don't.

- Trialled the UK's most-personalised homepage, with 1.2m variants.
- Pioneered tests to serve up personally-tailored selections in response to searches.
- Used Google Analytics and funnel analysis to better understand each customer journey and further improve our conversion rates.

1.2m

Homepage variants

CREDIT

The key to reaching more people is affordability. So we aim to offer competitive prices and unrivalled options for spreading the costs.

Read more on pages 16-17

- Invested in a second credit bureau to bolster the information we have on new applicants, so we can make better credit decisions.
- Continued to invest in our customers' security through early adoption of new data security, fraud recognition and customer password security measures.

2

Credit bureaux mean better credit decisions

3. ENHANCING OUR CREDIT CAPABILITY
£50m investment in personalisation programme for financial services.

4. SIMPLIFYING OUR OWN BRAND OFFER
Focus on two Clothing & Footwear own brands, V by Very and Ladybird.

I know the brands I want. Now I know where to find them

TOTAL BRANDS

1,100+

1 DELIVERING ON OUR PURPOSE:

GOOD THINGS

Under one digital roof, we've gathered over 1,100 of the brands people want most.

180 NEW BRANDS

We added another 180 prestige brands to our roster this year and we're still the UK's No. 1 online department store for famous brands. Our aim is to create a one-stop shop – bringing all the labels our customers seek on the high street into our slick, easy-to-navigate websites. So we're constantly researching and analysing to find out: What are our customers looking for?

And what additional brands will complement our existing offering? In 2014/15 we boosted our fashion offer with high street names such as River Island, Warehouse and Coast. They've all been immediately popular – and River Island in particular delivered incremental sales. In electrical, the year's key additions to our global tech brands such as Apple and Samsung were the wireless audio players, Bang & Olufsen Play range and Sonos.

The successful launch of Very Exclusive introduced 150 accessible and high street luxury labels such as Vivienne Westwood, Marc by Marc Jacobs and Reiss.

SONOS

RIVER ISLAND

B&O PLAY

Read more:
www.shopdirect.com

SALES FROM MOBILE DEVICES

56%

+12%pts

② DELIVERING ON OUR PURPOSE:

EASILY ACCESSIBLE

We're technology leaders in making online shopping a uniquely personal experience.

UX LAB

When you're not meeting your customers face-to-face, it's harder to understand and meet their needs. So we designed our own in-house user experience lab to get to know them better. Using techniques like eye tracking and live recording to watch people shop our websites, we're gaining unprecedented insight into what makes life simpler for them – and where they struggle.

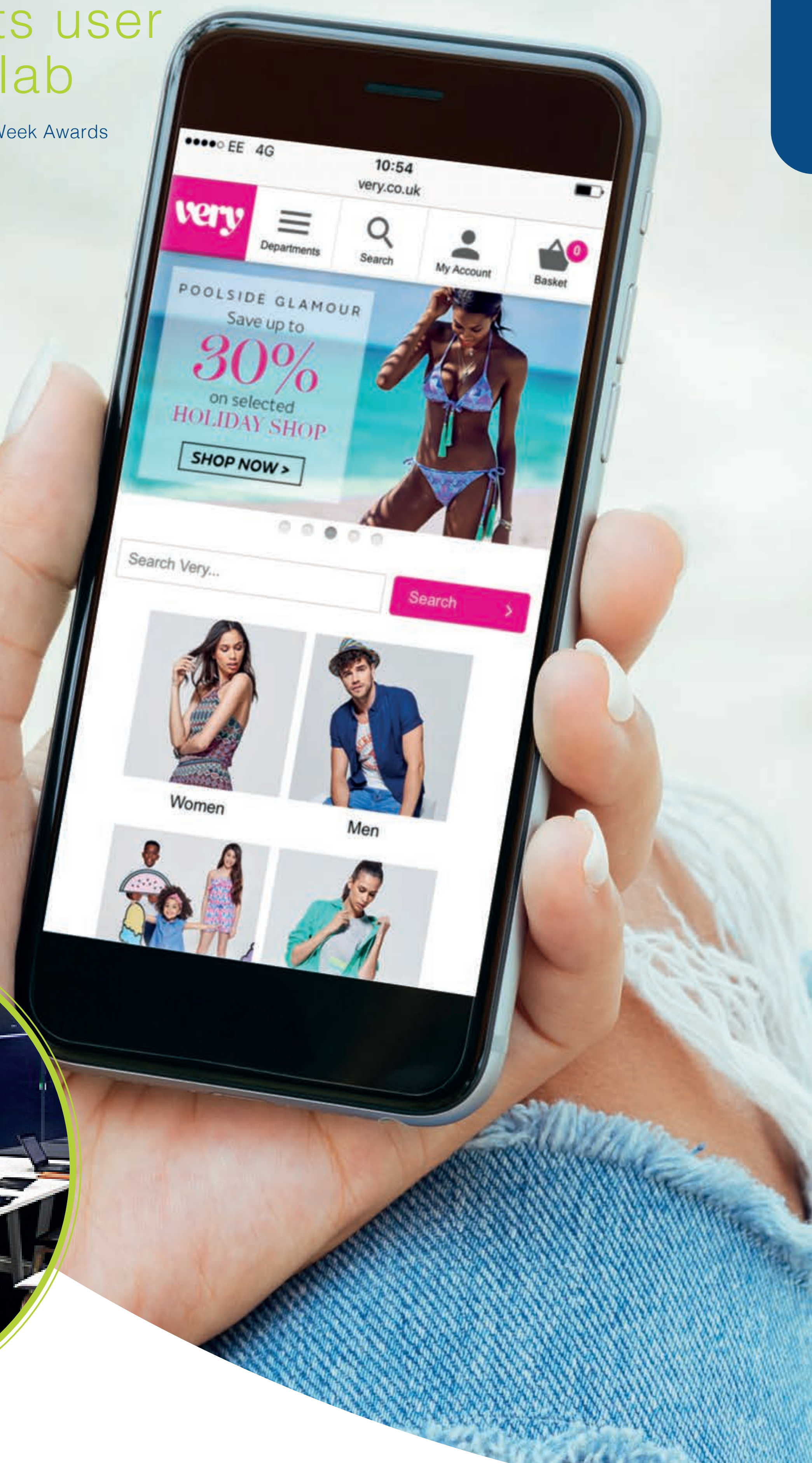
By putting customers at the heart of technology development in this way, we're making their shopping experience easier, more personalised – and more fun. In fact, the lab has been so valuable in driving customer-centred innovation that we've doubled the number of studies we carry out each month.

We've made particular strides with the shopping experience on mobile devices. Simple changes like reducing the number of checkout steps and introducing data-powered nudges (such as "Item selling fast" or "121 people viewing this product now") has driven incremental sales.

Read more:
www.shopdirect.com

> It's incredible what Shop Direct is doing with its user experience lab

Judge's comments, Oracle Retail Week Awards



> Being a lender allows us to give our customers the aspirational brands they want

2

CREDIT BUREAUX

3 DELIVERING ON OUR PURPOSE:

TO MORE PEOPLE

To make better credit decisions, two bureaux are better than one.

FLEXIBLE PAYMENT OPTIONS

A key part of making good things easily accessible to more people is being a retailer and a lender; giving our customers the aspirational brands they want. Each year we have a significant number of people who apply to open a new credit account with Very, Very Exclusive or Littlewoods. The offer of flexible ways to pay with Take 3, Buy now pay later or a revolving credit account on Very, and the certainty of weekly fixed payments on Littlewoods are market-leading offers that attract a significant number of credit applications each year.

Our advanced credit scoring allows us to make informed decisions about who we accept as a new credit customer using a single credit bureau. During the year we invested in a second credit bureau to help us bolster the information we have about new applicants and allow us to make better decisions for ourselves and our customers. The project was delivered in record time and supports our ambition to become a world class digital retailer.

Read more:
www.shopdirect.com

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, where we operate, could lead to a decline in Group performance. In particular, deterioration in consumer sentiment or disposable income could reduce demand for our products.	Our department store offering provides insulation against changes in category/market trends and the financial services business gives customers options to spread the costs.
Competition	The retail sector is highly competitive, and therefore sensitive to price, service, product quality and availability factors. Failure to pay attention to these and meet customer expectations could reduce sales and result in excessive stockholding.	We maintain a strong focus on service, monitoring competitors' pricing and meeting customers' expectations.
Credit	Credit is part of our overall customer offering and a significant majority of customers make purchases using credit provided by the Group.	We closely monitor individual customers' exposures and have clear procedures on establishing credit limits and monitoring exposure.
Regulatory environment	We are subject to legislative and regulatory changes, including within the consumer credit sector and in relation to data protection.	We maintain open and positive relationships with appropriate regulatory bodies through our dedicated compliance function and proactive management.
Securitisation	We use securitisation to fund a significant portion of our receivables book. Increases in securitisation costs could adversely impact our financial performance.	The Group maintains strong relationships with supporting banks and has a rolling three year funding programme.
Foreign exchange	Exchange rate movements can impact on the cost of some of the goods we buy for resale.	We use forward contracts to manage these impacts.
IT infrastructure	Our operational and commercial success depends on the continued availability and integrity of our IT systems, including our websites.	Full back-up and disaster recovery procedures are in place. They are regularly reviewed, tested and updated.
People	Our business success depends significantly on our ability to attract and retain key employees – including experienced sales, design and other personnel, and members of our senior management team.	We have an in-house team of talent acquisition partners focused on recruiting talent. Employee remuneration is set at attractive levels and designed to incentivise employees to deliver results in line with Group objectives.
Interest rate	We are exposed to cash flow interest rate risk on our borrowings.	Treasury takes responsibility for reducing exposure to this risk and ensures that sufficient liquidity is available to meet foreseeable needs.

CORPORATE RESPONSIBILITY

We're determined to set high ethical and environmental standards and to be the best we can be, wherever we operate.

ETHICAL AND SUSTAINABLE

We're proud to be part of the UN Global Compact (UNGC), the world's largest corporate citizenship initiative. This requires us to observe UNGC's 10 principles on human rights, labour standards, the environment and corruption, and to publish an annual report on our social responsibility progress. Our most recent report, published in October 2015, is available online at https://www.shopdirect.com/corporate-responsibility-page.

As a member of the Ethical Trading Initiative we set high ethical and environmental standards for the workplaces in our supply chain. We maintain a global programme of factory audits to ensure that suppliers meet these standards and do not abuse human rights.

We are committed to continuous improvement in environmental sustainability. We are certified to the Carbon Trust Standard for Carbon, which recognises organisations that take a best-practice approach to managing greenhouse gas emissions and achieving year-on-year reductions. In 2015 we achieved recertification for a further two years. As a 'zero waste to landfill' organisation, we recycle 100% of our waste.

SUPPORTING LOCAL COMMUNITIES

We support employees' volunteering and fundraising for charities and community groups, and have fully digital fund matching and payroll giving schemes.

We also engage all of our colleagues behind one charitable cause and one project each year. In 2015, our people voted to support Alder Hey Children's Charity and we are aiming to raise £200,000 for this worthy cause by our year end. This, coupled with pro bono digital expertise provided by some of our in-house experts, will help to develop a ground-breaking digital app designed to support young patients of Alder Hey Children's Hospital. The first of its kind, the app will enable children and their families to familiarise themselves, play games and interact with the hospital before, during and after their treatment, removing some of the anxiety associated with going into this kind of facility.

We established the charitable Shop Direct Foundation to support children and families in the North West of England. It's administered by a local charity, Community Foundation for Merseyside, and distributed over £80,000 in grants during the year.

ENGAGING OUR PEOPLE

As we transform the business we aim to make Shop Direct an ever-better place to work. We believe that full and open dialogue with our people and their representatives encourages them to contribute more actively to achieving our business objectives.

Our established negotiation and consultation mechanisms with employees and their representatives include consultative committees, joint working parties and briefing groups. We have collective bargaining agreements with the USDAW and SATA trade unions. 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 also represented on our pension trustee boards.

We strive to meet our statutory and social duties as an equal opportunities employer. We aim to ensure that training, career development and promotion for any colleague with a disability is, as far as practically possible, identical to that of other employees. 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 the Group through reasonable adjustments and appropriate training.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2015

		Restated for IFRS Year to 30 June 2015			Restated for IFRS Year to 30 June 2014		
	Note	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Continuing operations							
Revenue	3	**1,783.6**	**–**	**1,783.6**	1,737.7	–	1,737.7
Operating profit	4	**153.3**	**(25.4)**	**127.9**	144.3	(12.3)	132.0
Investment income		**0.1**	**–**	**0.1**	0.1	–	0.1
Finance costs		**(48.2)**	**–**	**(48.2)**	(55.2)	–	(55.2)
Profit before tax and fair value adjustments to financial instruments		**105.2**	**(25.4)**	**79.8**	89.2	(12.3)	76.9
Fair value adjustments to financial instruments	6	**8.4**	**–**	**8.4**	(11.7)		(11.7)
Profit before tax		**113.6**	**(25.4)**	**88.2**	77.5	(12.3)	65.2
Tax	7	**37.6**	**–**	**37.6**	(27.3)	–	(27.3)
Profit for the year from continuing operations		**151.2**	**(25.4)**	**125.8**	50.2	(12.3)	37.9
Discontinued operations							
Profit for the year from discontinued operations	5	**1.3**	**17.4**	**18.7**	(4.5)	–	(4.5)
Profit for the year		**152.5**	**(8.0)**	**144.5**	45.7	(12.3)	33.4
Profit attributable to equity holders of the Group		**152.5**	**(8.0)**	**144.5**	45.7	(12.3)	33.4

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Profit for the year	**144.5**	33.4
Items that will not be reclassified subsequently to profit or loss:		
Revaluation surplus	**1.0**	0.9
Actuarial gain/(loss) on pension scheme	**1.4**	(7.8)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange movement	**(1.6)**	(1.4)
Other comprehensive income	**0.8**	(8.3)
Tax relating to components of other comprehensive Income	**–**	–
Other comprehensive income for the year	**0.8**	(8.3)
Total comprehensive income for the year	**145.3**	25.1

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

for the year ended 30 June 2015

	Note	**Restated for IFRS 30 June 2015 £m**	Restated for IFRS 30 June 2014 £m
Non-current assets			
Goodwill		**252.5**	252.5
Other intangible assets	8	**99.9**	96.0
Property, plant and equipment	8	**6.5**	89.0
Investment property		**–**	19.7
Interests in joint ventures		**–**	9.3
Deferred tax asset		**43.0**	6.4
		401.9	472.9
Current assets			
Inventories		**98.8**	100.3
Trade and other receivables	9	**1,886.6**	1,682.6
Cash and bank balances		**15.2**	56.6
Derivative financial instruments	6	**1.9**	–
		2,002.5	1,839.5
Total assets		**2,404.4**	2,312.4
Current liabilities			
Trade and other payables	10	**(468.0)**	(430.7)
Current tax liabilities		**–**	(2.3)
Obligations under finance leases		**(0.4)**	(1.0)
Borrowings	12	**(90.4)**	(98.4)
Provisions	11	**(23.6)**	(16.5)
Deferred revenue		**(82.7)**	(125.1)
Derivative financial instruments	6	**–**	(6.5)
		(665.1)	(680.5)
Non-current liabilities			
Borrowings	12	**–**	(51.4)
Non-recourse borrowings	12	**(1,151.4)**	(1,142.7)
Retirement benefit obligations		**(72.5)**	(76.1)
Deferred revenue		**(50.9)**	(42.2)
Obligations under finance leases		**(0.2)**	(0.5)
		(1,275.0)	(1,312.9)
Total liabilities		**(1,940.1)**	(1,993.4)
Net assets		**464.3**	319.0
Equity			
Share capital		**100.0**	100.0
Other reserves		**500.0**	516.0
Retained earnings		**(135.7)**	(297.0)
Total equity		**464.3**	319.0

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2015

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Net cash from operating activities	**(29.1)**	(69.1)
Investing activities		
Interest received	**0.1**	0.1
Proceeds on disposal of property, plant and equipment	**2.4**	17.5
Purchases of property, plant and equipment	**(0.8)**	(9.6)
Purchases of intangible assets	**(29.9)**	(26.1)
Amounts received from joint ventures	**1.5**	3.5
Proceeds on disposal of joint ventures	**14.5**	–
Cash disposed of with subsidiary undertaking	**(0.1)**	–
Net cash used in investing activities	**(12.3)**	(14.6)
Financing activities		
(Repayments of)/increase in borrowings	**(6.0)**	102.3
Net cash (used in)/from financing activities	**(6.0)**	102.3
Net (decrease)/increase in cash and cash equivalents	**(47.4)**	18.6
Opening cash and cash equivalents	**(27.8)**	(46.4)
Closing cash and cash equivalents	**(75.2)**	(27.8)

UNAUDITED RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

for the year ended 30 June 2015

	Restated for IFRS 30 June 2015 £m	Restated for IFRS 30 June 2014 £m
Profit for the year	**144.5**	33.4
Adjustments for:		
Share of (profits)/losses of joint ventures	**(0.6)**	1.6
Finance costs	**49.4**	57.6
Income tax (credit)/charge	**(37.6)**	27.3
Gain on disposal of discontinued operations	**(17.4)**	–
Depreciation of property, plant & equipment	**7.4**	8.2
Amortisation of intangible assets	**26.0**	28.2
Loss/(profit) on disposal of property plant & equipment	**0.6**	(0.4)
Fair value adjustments to financial instruments	**(8.4)**	11.7
Increase/(decrease) in provisions	**7.1**	(11.5)
Adjustment for pensions	**(1.3)**	(2.5)
Operating cash flows before movements in working capital	**169.7**	153.6
Decrease in inventories	**1.5**	0.8
Increase in receivables	**(144.3)**	(154.0)
(Decrease)/increase in payables	**(6.1)**	13.2
Cash generated by operations	**20.8**	13.6
Income taxes paid	**(0.4)**	(25.0)
Interest paid	**(49.5)**	(57.7)
Net cash outflow from operating activities	**(29.1)**	(69.1)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Changes in equity for the year to 30 June 2014				
Balance as at 30 June 2013	100.0	515.3	(321.4)	293.9
Profit for the year	–	–	33.4	33.4
Exchange loss	–	–	(1.4)	(1.4)
Actuarial loss on pension scheme	–	–	(7.8)	(7.8)
Revaluation gain	–	0.9	–	0.9
Realised revaluation surplus	–	(0.2)	0.2	–
	–	0.7	24.4	25.1
Balance at 30 June 2014	100.0	516.0	(297.0)	319.0
Changes in equity for the year to 30 June 2015				
Balance as at 30 June 2014	100.0	516.0	(297.0)	319.0
Profit for the year	–	–	144.5	144.5
Exchange loss	–	–	(1.6)	(1.6)
Actuarial gain on pension scheme	–	–	1.4	1.4
Revaluation gain	–	1.0	–	1.0
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. BASIS OF PREPARATION

The financial information for the year ended 30 June 2015 and 30 June 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts, prepared under United Kingdom Generally Accepted Accounting Practice (UK GAAP), has been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the year ended 30 June 2016 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This condensed set of financial statements has been prepared applying the accounting policies and presentation that will be applied in the preparation of the companies consolidated financial statements for the year ended 30 June 2016.

The Group will transition to IFRS during the year ended 30 June 2016 with the transition date being 1 July 2014. The IFRS adjustments for the financial information included in this annual review for the year ending 30 June 2014 have been calculated on the same basis and using the same accounting policies as the IFRS adjustments for the financial information for the year ended 30 June 2015. The financial statements in this review have been restated to be in accordance with IFRS, and this annual review includes selected extracts from certain notes. The impact of the IFRS adjustments is explained in note 13.

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

2. 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.

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 will 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

3. SEGMENTAL ANALYSIS

By geographical location of destination

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Revenue:		
United Kingdom	**1,736.0**	1,686.8
Rest of World	**47.6**	50.9
	1,783.6	1,737.7
Operating profit:		
United Kingdom	**127.5**	130.6
Rest of World	**0.4**	1.4
	127.9	132.0

The analysis above is in respect of continuing operations.

Revenue by origin is not materially different from revenue by destination.

3. SEGMENTAL ANALYSIS (CONTINUED)

By business segment

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Analysis of revenue:		
Very	**967.8**	824.3
Littlewoods	**815.8**	913.4
	1,783.6	1,737.7
Gross profit	**723.5**	699.9
Distribution costs	**(219.0)**	(215.6)
Administrative costs	**(318.6)**	(303.6)
Other operating income	**0.8**	–
EBITDA*:		
Very	**203.4**	170.0
Littlewoods	**199.8**	200.5
Central costs	**(216.5)**	(189.8)
	186.7	180.7
Exceptional items (see note 4)	**(25.4)**	(12.3)
Depreciation	**(7.4)**	(8.2)
Amortisation	**(26.0)**	(28.2)
Operating profit	**127.9**	132.0
Investment income	**0.1**	0.1
Interest payable	**(48.2)**	(55.2)
Profit before tax and fair value adjustments to financial instruments	**79.8**	76.9
Fair value adjustments to financial instruments	**8.4**	(11.7)
Profit before tax	**88.2**	65.2

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

4. EXCEPTIONAL ITEMS

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Regulatory provisions	**(17.4)**	(10.9)
Restructuring costs	**(8.0)**	(1.0)
Impairment of tangible fixed assets	**–**	(0.3)
Other costs and provisions	**–**	(0.1)
	(25.4)	(12.3)

The analysis above is in respect of continuing operations.

An exceptional charge of £17.4m was recognised during the year (2014: £10.9m) reflecting costs expected to be incurred in respect of future customer redress payments for historic shopping insurance sales.

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

5. 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 cashflow statement were as follows:

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Revenue	**3.3**	2.1
Cost of sales	**–**	–
Gross profit	**3.3**	2.1
Administrative expenses	**(2.1)**	(4.8)
Other operating income	**0.6**	0.7
Exceptional items	**(0.6)**	0.4
Share of results of joint ventures	**0.8**	–
Finance costs	**(1.0)**	(2.3)
Profit/(loss) before tax	**1.0**	(3.9)
Tax	**0.3**	(0.6)
Profit/(loss) for the year	**1.3**	(4.5)
Profit on disposal of subsidiaries	**14.3**	–
Profit on disposal of joint ventures	**3.1**	–
Total profit/(loss) attributable to discontinued operations	**18.7**	(4.5)

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Notional amount – sterling contract value	**115.4**	173.2
Fair value of asset/(liability) recognised	**1.9**	(6.5)

Changes in the fair value of assets recognised, being non hedged currency derivatives amounted to a credit of £8.4m to income in the year (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.

7. TAXATION

The taxation charge for the year ended 30 June 2015 is based on the standard rate of corporation tax in the UK of 20.8% (2014: 22.5%).

	Restated for IFRS Year to 30 June 2015 £m	Restated for IFRS Year to 30 June 2014 £m
Continuing operations		
Corporation tax – current year	**(0.4)**	(27.3)
Deferred tax	**38.0**	–
	37.6	(27.3)

8. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

Additions to tangible fixed assets in the year were £0.8m (2014: £9.6m). Depreciation of £7.4m was charged during the year (2014: £8.2m). There were disposals of £3.0m (2014: £17.1m), disposals of subsidiaries of £92.6m (2014: £nil) and revaluations of properties of £nil (2014: £0.9m).

Additions to intangible fixed assets in the year of £29.9m (2014: £26.1m) primarily relate to computer software development. Amortisation of £26.0m (2014: £28.2m) was charged during the year and there were disposals of £nil (2014: £0.3m).

At 30 June 2015 the Group had capital expenditure contracted for but not provided in the financial statements of £2.2m (2014: £2.0m).

9. TRADE & OTHER RECEIVABLES

	Restated for IFRS 30 June 2015 £m	Restated for IFRS 30 June 2014 £m
Amounts falling due within one year:		
Amount receivable for the sale of goods and services	**1,339.2**	1,317.2
Amounts owed by Group undertakings	**437.8**	269.3
Prepayments and accrued income	**72.7**	59.9
Other debtors	**36.9**	36.2
	1,886.6	1,682.6

	Restated for IFRS 30 June 2015 £m	Restated for IFRS 30 June 2014 £m
Movement in the allowance for bad debts:		
Balance at beginning of the year	**170.4**	190.0
Amounts charged to the income statement	**188.7**	208.8
Amounts written off	**(204.4)**	(228.4)
Balance at the end of the year	**154.7**	170.4

10. TRADE & OTHER PAYABLES

	Restated for IFRS 30 June 2015 £m	Restated for IFRS 30 June 2014 £m
Trade creditors	**265.2**	211.4
Amounts owed to Group undertakings	**–**	0.7
Other taxation and social security	**28.5**	38.4
Other creditors	**21.7**	22.9
Accruals	**152.6**	157.3
	468.0	430.7

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

11. PROVISIONS

	Regulatory provisions £m	Restructuring provisions £m	Total £m
At 1 July 2013	10.0	18.0	28.0
Charged to the income statement	10.9	–	10.9
Utilised during the year	(7.6)	(14.8)	(22.4)
At 30 June 2014	13.3	3.2	16.5

	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 majority of the provisions will be utilised over the next financial year.

12. BORROWINGS

	Restated for IFRS 30 June 2015 £m	Restated for IFRS 30 June 2014 £m
Secured borrowings at amortised cost		
Bank overdrafts	**90.4**	72.3
Bank loans	**–**	53.4
Securitisation facility	**1,151.4**	1,142.7
Unsecured borrowings at amortised cost		
Bank overdrafts	**–**	12.1
Bank loans	**–**	12.0
	1,241.8	1,292.5
The borrowings are repayable as follows:		
Within one year	**90.4**	98.4
In the second year	**–**	2.1
In the third to fifth year	**1,151.4**	1,149.8
Over five years	**–**	42.2
Amount due for settlement after 12 months	**1,151.4**	1,194.1

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

(a) Bank overdrafts are repayable on demand and bear interest at a rate of up to 3.25% over the bank's base rate. Secured bank overdrafts are secured by a debenture over the assets of the subsidiary to which they relate.

(b) The Group has a securitisation facility of £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 £1,268.5m expires on 1 December 2017.

13. IMPACT OF TRANSITION TO IFRS

In preparing its opening IFRS balance sheet the Group has adjusted amounts reported previously in the financial statements prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position and financial performance 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	(402.9)	50.9	(352.0)
Exceptional items and amortisation	C,G	(32.2)	6.8	(25.4)
		(653.3)	57.7	(595.6)
Operating profit		58.8	69.1	127.9
Investment income		0.1	–	0.1
Interest payable	A	(5.6)	(42.6)	(48.2)
Profit before tax and fair value adjustments to financial instruments		53.3	26.5	79.8
Fair value adjustments to financial instruments	D	–	8.4	8.4
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

13. IMPACT OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of profit for the year ended 30 June 2014

		UK GAAP £m	Impact of transition £m	IFRS £m
Continuing operations				
Revenue	A	1,735.4	2.3	1,737.7
Cost of sales	A	(1,052.6)	14.8	(1,037.8)
Gross profit		682.8	17.1	699.9
Other operating income		–	–	-
Distribution costs		(215.6)	–	(215.6)
Administrative expenses	A,G	(388.2)	48.2	(340.0)
Exceptional items and amortisation	C,G	(25.6)	13.3	(12.3)
		(629.4)	61.5	(567.9)
Operating profit		53.4	78.6	132.0
Investment income		0.1	–	0.1
Interest payable	A	(9.2)	(46.0)	(55.2)
Profit before tax and fair value adjustments to financial instruments		44.3	32.6	76.9
Fair value adjustments to financial instruments	D	–	(11.7)	(11.7)
Profit before tax		44.3	20.9	65.2
Tax		(27.3)	–	(27.3)
Profit for the year from continuing operations		17.0	20.9	37.9
Discontinued operations				
Profit for the year from discontinued operations		(4.5)	–	(4.5)
Profit for the year		12.5	20.9	33.4
Revaluation surplus		0.9	–	0.9
Actuarial gain on pension scheme		0.7	(8.5)	(7.8)
Foreign exchange movement		(1.4)	–	(1.4)
Other comprehensive income		0.2	(8.5)	(8.3)
Total comprehensive income		12.7	12.4	25.1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

13. IMPACT OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of equity

		30 June 2015			30 June 2014		
		UK GAAP £m	Impact of transition £m	IFRS £m	UK GAAP £m	Impact of transition £m	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

13. 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 4 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 and £48.6m for the year ended 30 June 2014 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 adjustments of £1.8m for the year 30 June 2015 and £2.7m for the year ended 30 June 2014.

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 and £2.9m for the year ended 30 June 2014 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 & equipment, and amortised over their useful economic life. As such, these assets have been reclassified from property, plant & equipment to intangibles. In addition, an impairment charge of £9.9m was recognised on transition, and the depreciation charge in each subsequent year has been reversed (2015: £2.7m and 2014: £3.1m).

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.

14. EVENTS AFTER THE BALANCE SHEET DATE

A three year senior debt facility of £375m was established on 15 April 2016.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with the accounting policies set out in note 1 to the financial statements;
- The condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole; and
- The strategic report includes a fair review of the information.

A BALDOCK
DIRECTOR

G PATERAS
DIRECTOR

10 JUNE 2016

INDEPENDENT REVIEW REPORT TO SHOP DIRECT LIMITED

We have been engaged by the company to review the condensed set of financial statements in the financial report for the year ended 30 June 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement, the reconciliation of operating profit to net cash from operating activities and related notes 1 to 14. We have read the other information contained in the financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this financial report has been prepared in accordance with note 1 to the financial statements.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the financial report based on our review.

SCOPE OF REVIEW

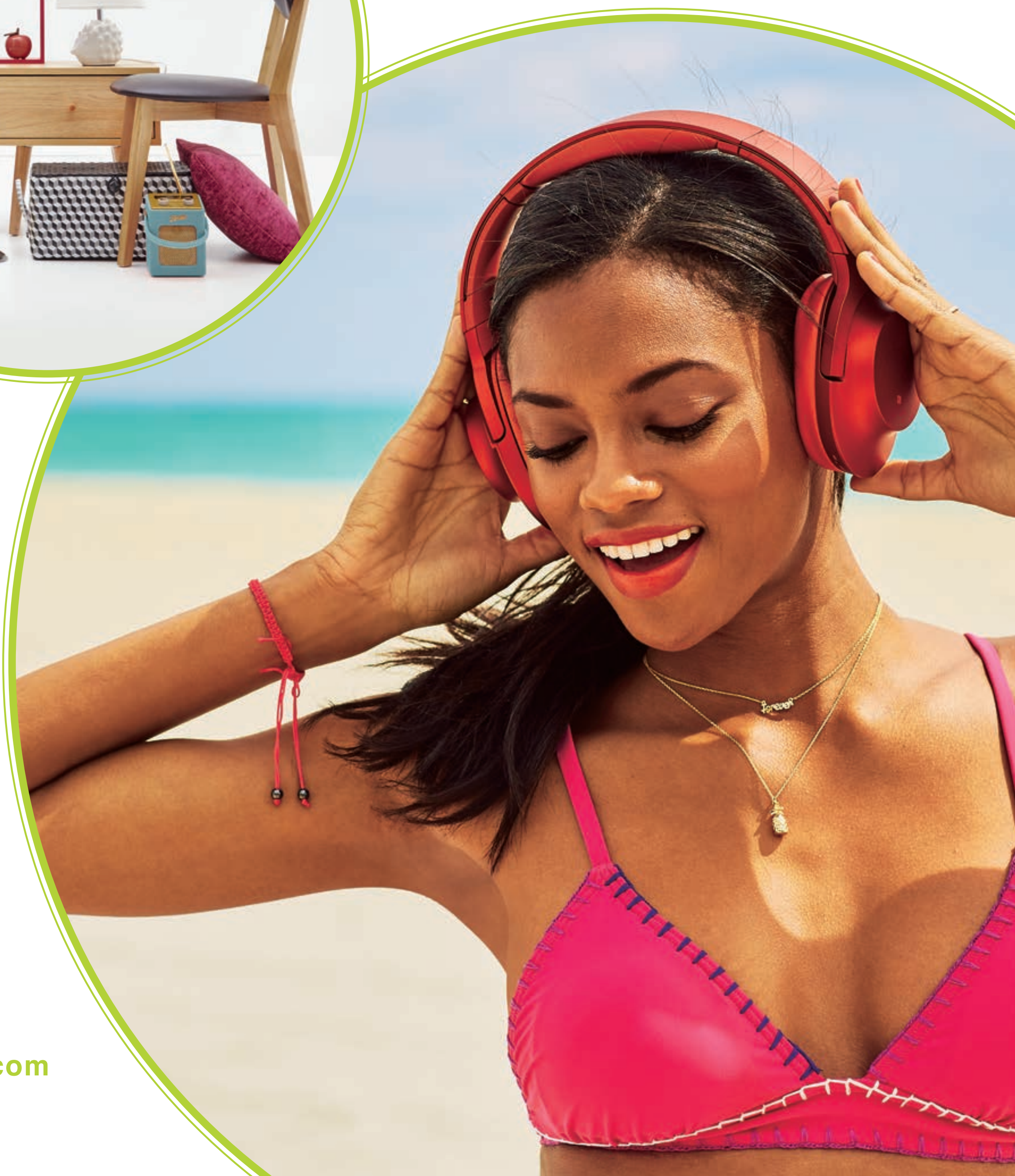
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the financial report for the year ended 30 June 2015 is not prepared, in all material respects, in accordance with note 1 to the financial statements.

DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR
MANCHESTER

10 JUNE 2016



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