Board of Directors and Group Executive Board

Board of Directors

John Coombe  
Chairman

John Walden  
Chief Executive

Richard Ashton  
Finance Director

Mike Darcey  
Non-Executive Director

Ian Durant  
Non-Executive Director

Cath Keers  
Non-Executive Director

Jacqueline de Rojas  
Non-Executive Director

Group Executive Board

Richard Ashton  
Finance Director

Greg Ball  
 Managing Director, Financial Services

Gordon Bentley  
Company Secretary

Bertrand Bodson  
Chief Digital Director

Steve Carson  
Retail and Customer Operations Director

Peter Connor  
Information Systems Director

Julie Elder  
Human Resources Director

Paul Loft  
Managing Director, Homebase

David Robinson  
Chief Operating Officer, Argos

Maria Thompson  
Commercial and Supply Chain Director

John Walden  
Chief Executive
BOARD OF DIRECTORS’ PROFILES

John Coombe (70)
Chairman
John held a number of senior financial roles within Charterhouse Group and Charter Consolidated before joining Glaxo Holdings in 1986. Appointed to the Board in 1992, he was ultimately Chief Financial Officer of GlaxoSmithKline for five years before retiring in 2005. He joined the GUS board in 2005 and became the Senior Independent Director of Home Retail Group in October 2006 and Chairman in July 2012. He is Chairman of Hogg Robinson Group, a former Non-Executive Director of HSBC Holdings and a former member of the Code Committee of the Panel of Takeovers and Mergers and of the UK Accounting Standards Board.

John Walden (55)
Chief Executive
John started his retail career in the US with Peapod. He joined Best Buy in 1999 as President of its internet and direct-channels division and also served as Executive Vice President, Human Capital and Leadership, and ultimately as Executive Vice President of its Customer Business Group. John later moved to Sears where he led marketing, merchandising and the internet, catalogue and home services divisions. He joined Argos as Managing Director in February 2012 and was appointed Chief Executive of Home Retail Group in March 2014.

Richard Ashton (48)
Finance Director
Richard started his career at PricewaterhouseCoopers where he trained as a chartered accountant, and joined GE in 1994, spending eight years in a variety of positions including Chief Financial Officer of GE Capital’s pan-European equipment-financing business, assistant to GE Capital’s Chief Financial Officer in the US and various finance roles in the UK. He joined Argos Retail Group as Finance Director in 2001 and, in July 2006, became Finance Director of Home Retail Group.

Mike Darcey (49)
Non-Executive Director
Mike became Chief Executive Officer of News UK in 2013 following 15 years with BSkyB where he had been Chief Operating Officer since 2006. Prior to BSkyB Mike was an economic advisor with a number of consulting companies – including Lexcon, Putnam Hayes & Bartlett and KPMG – working across a wide range of industries, with particular focus on entertainment and telecommunications. Mike joined Home Retail Group in April 2010 and was appointed Senior Independent Director in July 2012.

Ian Durant (56)
Non-Executive Director
Ian is Chairman of Capital & Counties Properties, Chairman of Greggs and the Senior Independent Non-Executive Director of Greene King. He is a former Finance Director of Liberty International (renamed Intu Properties). In his earlier career he worked for Hanson and Jardine Matheson and was Finance Director of Hongkong Land, Dairy Farm International and Thistle Hotels and Chief Finance Officer of SeaContainers. He joined the Home Retail Group Board in July 2011.

Cath Keers (50)
Non-Executive Director
Cath started her retail career with Thorn EMI and, after marketing and business development roles at Sky TV, Avon and Next, joined the BT Group in 1996, holding a number of commercial roles, including Marketing Director of O2, Chairman of Tesco Mobile and Customer Director of O2. She is a Non-Executive Director of the Royal Mail Group and LV=, and an advisory board member of The Foundation, a growth innovation consultancy. Cath was previously a Non-Executive Director of Telefonica Europe and of the Children’s Mutual. Cath joined the Home Retail Group Board in September 2011.

Jacqueline de Rojas (52)
Non-Executive Director
Jacqueline is Vice President and General Manager of Citrix Northern Europe. Her career has focused on the digital sector and she has held leadership roles within major enterprise software businesses including CA, McAfee, Novell, Business Objects and Informix. She is Deputy President of techUK and is a judge on the everywoman Women in Technology and EY Entrepreneur of the Year awards. Jacqueline is also a member of the Prince’s Trust Technology Leadership Group and joined the Home Retail Group Board in December 2012.

Biographies of members of the Group Executive Board can be found on our corporate website homeretailgroup.com.

BOARD COMMITTEES

Audit Committee:
Ian Durant (Chair), Mike Darcey, Cath Keers, Jacqueline de Rojas

Remuneration Committee:
Cath Keers (Chair), John Coombe, Mike Darcey, Ian Durant, Jacqueline de Rojas

Nomination Committee:
John Coombe (Chair), Mike Darcey, Ian Durant, Cath Keers, Jacqueline de Rojas, John Walden (appointed 14 March 2014)
Corporate governance

Chairman's introduction

The Board is collectively responsible for the governance and long-term success of the Group. Effective governance is essential to the creation of an environment in which innovation and performance can flourish and deliver success. In this corporate governance section, my aim is to provide insight into how the Board fulfils its stewardship responsibilities.

Against the background of a volatile and unpredictable economic environment which is beginning to improve, a considerable amount of change is taking place in our business. Having approved the Group’s strategic aims, the Board has a key oversight role to play in monitoring performance and the management of risk. To perform this role well, the Board needs to reflect the right balance of skills, experience, independence and knowledge. In addition, individual board members must be prepared to devote the time that is required to keep pace with developments in the business, understand how the business is performing against its strategic objectives and how risks are being managed and opportunities are being addressed. Much of this activity takes place outside the boardroom, in meetings with members of senior management and informal dinners for Board members to discuss broader strategic issues. To be effective the Board must also foster a culture of openness, challenge and debate with senior management, supported by constructive relations between executive and non-executive directors. I am grateful to my Board colleagues and senior management for their commitment to this culture and engagement.

Last year we made a number of changes to our annual report taking into account new disclosure and reporting requirements. I support the Financial Reporting Council’s (FRC) continuing encouragement for clear and concise reporting by companies. We receive feedback from our shareholders and investors on the information we provide and we will continue to listen to this feedback. Last year’s Remuneration Report was well received by our shareholders and so we have adopted a similar approach to our report this year. While we continue to report against the 2012 UK Corporate Governance Code, the Board has considered the changes introduced in the 2014 revision. Our risk management process has been reviewed and we will be undertaking a tender process for our insurance policy.

In order for any board to discharge its duties and responsibilities effectively, it must comprise the right balance of skills, experience and knowledge ideally gained in a diverse range of backgrounds. In addition, directors must exhibit independence of mind, integrity and the courage to challenge constructively when appropriate.

- John Coombe, appointed to the Board in 2006 and as Chairman in 2012, has an in-depth understanding of the Group and its businesses and exceptional experience at board level of listed companies in a range of industries and as a former member of the UK Accounting Standards Board.
- Mike Darcey, appointed in 2010, has worked across many industries, including telecommunications and entertainment, and has wide-ranging experience of media and digital technology.
- Ian Durant, appointed in 2011, has strong financial and accounting experience combined with extensive knowledge of the retail sector and property investment and development.
- Cath Keers, appointed in 2011, has significant marketing and business development experience, with particular emphasis on mobile applications and e-commerce.
- Jacqueline de Rojas, appointed in 2012, has worked extensively in the digital sector and has wide-ranging experience in software technology businesses.

For the period under review, Home Retail Group plc has complied fully with the main and supporting principles set out in the UK Corporate Governance Code 2012 (the ‘Code’).

This statement, together with the Directors’ Report and the Directors’ Remuneration Report, provide a summary of the Group’s procedures for applying the principles of the Code and the extent to which such principles have been applied.

The role and effectiveness of the Board

The Board is responsible for the long-term success of the Group by creating and delivering sustainable shareholder value. The Board seeks to achieve this through approving the Group’s strategic aims, monitoring performance against strategic objectives and providing oversight of the implementation of plans by management. By monitoring its strategy and management of risk, the Board considers the impact of decisions on wider stakeholders, including employees, the pension scheme trustee, suppliers and the environment.

The Board consists of the Chairman, John Coombe; Chief Executive, John Walden; Finance Director, Richard Ashton; and four non-executive directors: Mike Darcey (the Senior Independent Director), Ian Durant, Cath Keers and Jacqueline de Rojas. John Walden succeeded Terry Duddy as Chief Executive on 14 March 2014.

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The non-executive directors are determined by the Board to be independent and there are no relationships or circumstances which could affect, or appear to affect, a non-executive director’s judgement. The Group has in place formal procedures regarding conflicts of interest, which are reviewed on an annual basis.

There is a clear division of responsibilities between the Chairman and the Chief Executive.

The Chairman’s responsibilities include:
- providing leadership for and ensuring the effective operation of the Board in conformity with the highest standards of corporate governance;
- supporting the Chief Executive in the development of strategy;
- promoting and facilitating effective relationships and communications between non-executive and executive directors and members of senior management;
- ensuring effective communication with the Group’s stakeholders, including shareholders; and
- chairing the Nomination Committee and building an effective and complementary Board, initiating change and planning succession on both Board and senior management appointments.

The Chief Executive’s responsibilities include:
- developing the strategy of the Group in conjunction with the Chairman and the Board and being responsible to the Board for the performance of the business, consistent with agreed plans, strategies and policies;
- developing and maintaining an effective framework of internal controls over risk in relation to all business activities;
- leading the Group Executive Board and senior management team in the day-to-day running of the business;
- ensuring that robust management succession and management development plans are in place; and
- ensuring that financial results, business strategies and, where appropriate, targets and milestones are communicated to the investment community.

In fulfilling his responsibilities, the Chief Executive is supported by the Group Executive Board, which includes the Finance Director, managing directors and directors of the shared-service functions.

The Board has a programme of scheduled meetings and telephone conferences each year and meets more frequently as required. During the period under review, the Chairman met with the non-executive directors without the executive directors present and arrangements are in place for regular informal meetings with the non-executive directors. The Board met informally the evening before most scheduled Board meetings and members of the Group Executive Board were invited to join these discussions on a regular basis and to provide updates on their areas of responsibility.

A number of informal meetings took place during the year to provide non-executive directors with the opportunity to provide input on the development of strategy and to monitor progress on strategic initiatives. In addition, the Board held a full-day meeting offsite to discuss strategy with members of the senior management teams of Argos, Homebase and Financial Services.

Arrangements to ensure that the non-executive directors are fully informed about the business are kept under review. Upon appointment, non-executive directors undertake a full induction programme, meeting the management team and visiting stores, distribution centres and contact centres across the United Kingdom. Board members continue to spend time seeing the business in operation, hearing the views of colleagues from across the business, attending management conferences and monitoring developments both in the market and with the Group’s competitors.

Each of the non-executive directors serves on the three main Board committees: Audit, Remuneration and Nomination. This not only facilitates the provision of information to the Board and better communication, but it also enables Board members to have direct involvement in the key areas of governance and to take full account of the relationships between the activities of these committees.

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<table>
<thead>
<tr>
<th>Board</th>
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<tbody>
<tr>
<td><strong>Strategic leadership</strong></td>
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<tr>
<td>Monitoring of performance against strategic objectives</td>
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<tr>
<td>Monitoring management of risk</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Audit Committee</th>
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<tbody>
<tr>
<td>The committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. It oversees internal audit and the relationship with the external auditor, including the effectiveness of the external audit and the provision of non-audit services by the external auditor.</td>
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<tr>
<th>Remuneration Committee</th>
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</thead>
<tbody>
<tr>
<td>The committee is responsible for making recommendations to the Board on remuneration policy for executive directors and other members of the Group Executive Board as well as the specific remuneration packages for these executives.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Nomination Committee</th>
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<tbody>
<tr>
<td>The committee’s focus is on strengthening, balancing and understanding the range of skills, experience and diversity of the Board and key roles below Board level. It is responsible for making recommendations to the Board on the composition of the Board and its committees, on retirements, appointments of additional and replacement directors and on succession planning.</td>
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</tbody>
</table>
Corporate governance continued

Certain matters are specifically reserved for the Board’s approval and are not delegated to management. These include matters relating to the Group’s strategy; approval of any major acquisition; disposals; significant capital expenditure; financial results; and overseeing the Group’s systems of internal control, governance and risk management. A formal schedule of matters reserved for the Board is reviewed annually and the following specific responsibilities have remained unchanged this year:

- The overall management of the Group, approval of the Group’s long-term objectives and commercial strategy, and the review of performance.
- Determining the nature and extent of significant risks the Board is willing for the Group to take in achieving its strategic objectives.
- The approval of trading statements, announcements of half-year and full-year results, including dividends, and the annual report and accounts.
- The approval of documentation to be put forward to shareholders at general meetings and all circulars and prospectuses other than routine documents.
- The approval of all appointments to the Board and of the Company Secretary and ensuring adequate succession planning for the Board and senior management.

Each month the Board received a management information pack that provided detailed information on the performance of the Group’s businesses and a report on the progress of the Argos Transformation Plan. At each scheduled meeting the Board received an update on trading and financial performance and, in addition at six of these meetings, the Board received a comprehensive management report that covered the trading and operational performance of each of the Group’s businesses, the Group’s financial performance, current market expectations of financial performance and any significant developments.

During the period under review, the Board has focused on:

- The ongoing development and implementation of the Argos Transformation Plan including the systems, infrastructure and management resources required to deliver the plan, and risks and opportunities. More information on the progress being made is set out in the Argos business review section on pages 12 to 15.
- A report of the Homebase business and the development and implementation of the Homebase Productivity Plan resulting from such review, including improvements in store productivity, strengthening of customer propositions, acceleration of digital capabilities, and a full review of risks and opportunities. More information on the progress being made is set out in the Homebase business review section on pages 16 to 19.
- The development of IT infrastructure and service management to complement and support the strategic plans of Argos and Homebase.
- The development of Financial Services to support the Argos and Homebase propositions. More information on the progress being made is set out in the Financial Services business review section on pages 20 and 21. The Board has also undertaken a review of governance, taking into account regulatory changes and the transition of consumer credit regulatory responsibility to the FCA.
- The financial performance of the Group and its operating companies, including financial planning, variances to forecasts and the provision of appropriate financial resources to support the strategic plans of Argos and Homebase.

Other matters considered by the Board included the extension of the UK collection service with eBay; the Homebase store closure programme; cybersecurity; health and safety; business continuity arrangements; and the development of the Group’s corporate responsibility strategy.

In relation to human rights, the Group maintains and applies appropriate policies in relevant areas of its businesses including its supply chain and in relation to its employees. In FY14, the Board approved an updated diversity and inclusion policy and continues to monitor progress in this important area. As at 28 February 2015, 23,515 (53%) of a total colleague number of 44,072 were women (FY14: 24,208; 53%) and 29 (29%) of 100 senior executives were women (FY14: 24; 26%). If statutory directors of corporate entities whose financial information is included in the Group financial statements are aggregated with senior executives, 33 (30%) of the total number of 110 were women (FY14: 25; 26%). Two of seven members of the Board (29%) are women. The Group will continue to support and encourage increased diversity across all parts of its business and at every management level of the organisation. More information on our approach in these areas is set out in the corporate responsibility section of the Group’s website homeretailgroup.com/cr.

The Company Secretary ensures that the Board receives regular briefings on corporate governance matters and company legislation.

In FY13, an independent review of the performance of the Board was undertaken by ICSA Board Evaluation. During the period under review, the formal evaluation of the performance of the Board and its committees was conducted internally. A questionnaire in relation to Board and committee performance was provided to each Board member. The responses to the questionnaire were collated by the Company Secretary and reviewed with the Chairman. A report on the findings was prepared by the Company Secretary and discussed at a Board meeting. The overall conclusion was that the Board and its committees were continuing to operate effectively. The Board discussed items where there may be scope for the Board to enhance its effectiveness and actions were agreed and are being addressed including workshops with digital development teams and continued focus on FCA regulatory requirements in relation to financial services.

Individual appraisals of directors have been undertaken by the Chairman. Under the leadership of the senior independent director, the non-executive directors met without the Chairman present to appraise the Chairman’s performance, taking account of any views expressed by the executive directors. In line with the requirements of the Code, all directors are required to submit themselves for re-election each year.

**Board committees**

The Board has appointed the following committees: Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference of each of these committees are available on the Group’s website at homeretailgroup.com. For information on the work of the Audit Committee see pages 40 to 43, the Remuneration Committee see pages 44 to 61 and the Nomination Committee see page 39. The attendance of directors at meetings of the Board and the committees during the period under review was as follows:
**COMMITTEE ATTENDANCE**

<table>
<thead>
<tr>
<th>Board member</th>
<th>Board meetings</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
<th>Nomination Committee</th>
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</thead>
<tbody>
<tr>
<td>John Walden</td>
<td>13/13</td>
<td>–</td>
<td>–</td>
<td>2/3</td>
</tr>
<tr>
<td>Richard Ashton</td>
<td>14/14</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>John Coombe</td>
<td>14/14</td>
<td>–</td>
<td>7/7</td>
<td>3/3</td>
</tr>
<tr>
<td>Mike Darcey</td>
<td>13/14</td>
<td>5/5</td>
<td>7/7</td>
<td>3/3</td>
</tr>
<tr>
<td>Ian Durant</td>
<td>13/14</td>
<td>5/5</td>
<td>7/7</td>
<td>3/3</td>
</tr>
<tr>
<td>Cath Keers</td>
<td>13/14</td>
<td>4/5</td>
<td>7/7</td>
<td>3/3</td>
</tr>
<tr>
<td>Jacqueline de Rojas</td>
<td>14/14</td>
<td>5/5</td>
<td>7/7</td>
<td>3/3</td>
</tr>
<tr>
<td>Terry Duddy</td>
<td>1/1</td>
<td>–</td>
<td>–</td>
<td>0/1</td>
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</table>

**Note:**
On 14 March 2014, John Walden was appointed to the Board. Terry Duddy stepped down on the same date.

**Internal control**

The Board has overall responsibility for the Group’s system of internal control. The system is designed to safeguard the assets of the Group and help ensure the reliability of internal and external financial reporting. The purpose of this system is to help manage and control risk rather than eliminate it. The Board has reviewed the effectiveness of the key procedures which have been established to provide internal control.

The Board confirms there is in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, including risks relating to environmental, social and governance matters. This process was in place throughout the period under review and up to the date of approval of this annual report and meets the requirements of the FRC guidance entitled ‘Internal Control: Revised Guidance for Directors’. This process is overseen by a risk committee which supports the Group Executive Board in managing and controlling risk. The risk committee is chaired by the Finance Director and comprises all the divisional finance directors, the director of Group treasury and taxation, the Company Secretary, the risk assurance manager and the head of internal audit. The risk committee met six times in the period under review. The Board considered the changes to the Code which come into effect for the Company in FY16 and the FRC guidance entitled ‘Guidance on Risk Management, Internal Control and Related Financial and Business Reporting’ and the Audit Committee reviewed revised procedures to be introduced in response to these changes.

The Audit Committee has kept under review the effectiveness of this system of internal control and has reported regularly to the Board. As part of the process that the Group has in place to review the effectiveness of the internal control system there are procedures designed to capture and evaluate failings and weaknesses, and to ensure that necessary action is taken to remedy any failings that may be categorised by the Board as significant.

The key procedures which were operational in the period under review were as follows.

**Risk assessment**

- The Board considered and reviewed the Group’s strategy, including the Argos Transformation Plan and Homebase Productivity Plan, taking into account the risks it was willing for the Group to take in achieving its strategic objectives.
- The Group’s risk management process was reviewed taking into account the changes to the Code that will apply to the Group in FY16. This included changes to the Group’s risk assessment matrix to improve clarity and focus on principal risks, alongside investment in new risk management software.
- Current and longer-term emerging risks in relation to the Group’s strategy and the delivery of the strategy (including any risks that could threaten the Group’s solvency or liquidity) were discussed and reviewed by management on the basis of the likelihood and impact of these risks materialising, followed by the review of the risk committee and Group Executive Board. This takes place on a bi-annual basis, facilitated by the risk assurance manager.
- The risks identified through this process were then reported to the Audit Committee, with particular focus on those risks classified as principal risks by management. The schedule of principal risks was used as the basis for the programme of internal audit and assurance and is outlined in the principal risks and uncertainties on pages 24 and 25.
- The Audit Committee has delegated responsibility from the Board for considering operational, financial and compliance risks on a regular basis and received its annual report on the controls over these risks. This included risks arising from environmental, social and governance matters.
Control environment and control activities

- The Group has established procedures for delegating authority which ensure that decisions that are significant, either because of the value or the impact on other parts of the Group, are taken at an appropriate level.
- The Group has implemented appropriate strategies to deal with each significant risk that has been identified. These strategies include internal controls, insurance and foreign currency hedging.
- The Group sets out principles, policies and standards to be adhered to. These include risk identification, management and reporting standards, ethical principles and practice and accounting policies.
- Data consolidated into the Group’s financial statements is reconciled to the underlying financial systems. A review of the consolidated data is undertaken by management to ensure that the true position and results of the Group are reflected through compliance with approved accounting policies.

Information and communication

- The Group has a comprehensive system of budgetary control, including monthly performance reviews by the Group Executive Board. The Group Executive Board also reviews a range of financial and non-financial performance indicators. These indicators were regularly reviewed to ensure that they remain relevant and reliable.
- The Group has whistleblowing procedures in place for employees to report any suspected improprieties.

Monitoring

- A range of procedures was used to monitor the effective application of internal control in the Group, including management assurance through confirmation of compliance with standards, and independent assurance through internal audit reviews and review by specialist third parties.
- The internal audit department’s responsibilities include reporting to the Audit Committee on the effectiveness of internal control systems, with a particular focus on those areas identified as being the greatest risk to the Group.
- Follow-up processes were used to ensure there was an appropriate response to changes and developments in risks and the control environment.

Relations with shareholders

The Board recognises the importance of communicating with its shareholders and does so in a number of ways, including the provision of information in the annual report and on the Group’s website, the Annual General Meeting and the processes described below.

Although the majority of shareholder contact is with the Chief Executive and the Finance Director, supported by management specialising in investor relations, it is the responsibility of the Board as a whole, led by the Chairman, to ensure that a satisfactory dialogue with shareholders takes place. Meetings with investors have been held throughout the year with roadshow activity following the full-year and half-year results announcements. John Coombe has held meetings with a number of shareholders during the period under review. Cath Keers, as chair of the Remuneration Committee, has also engaged with larger shareholders on remuneration matters.

Through these processes the Board is kept abreast of key issues. Shareholders have a direct line of communication to the Chairman, particularly if there are areas for concern, whether it be about performance, strategy or governance. The senior independent director is also available should shareholders have concerns which contact through the normal channels of the Chairman, the Chief Executive and the Finance Director has failed to resolve, or for which such contact is inappropriate.

All directors, including the chairs of the Audit, Remuneration and Nomination Committees, intend to be present at the Annual General Meeting and be available to answer shareholders’ questions. Voting by members present at the Annual General Meeting will be by way of a poll. Proxies lodged prior to the meeting showing the balance for and against each resolution and the number of votes withheld will be displayed. The results of voting at the Annual General Meeting will also be available on the Group’s website at homeretailgroup.com as soon as possible after the meeting.
Nomination Committee report

Membership
The Nomination Committee is chaired by John Coombe and its other members are Mike Darcey, Ian Durant, Cath Keers, Jacqueline de Rojas and John Walden (appointed 14 March 2014). Terry Duddy stepped down from the committee on 14 March 2014.

Meetings
The committee met three times during the year and attendance at those meetings is shown on page 37 within the corporate governance section. Terry Duddy did not attend one meeting that related to the appointment of his successor as Chief Executive.

Main activities
The committee’s focus is on strengthening, balancing and understanding the range of skills, experience and diversity of the Board and key roles below Board level. The Nomination Committee is responsible for making recommendations to the Board on the composition of the Board and its committees, on retirements, appointments of additional and replacement directors and on succession planning. The committee oversaw the selection process for the successor to Paul Loft, Managing Director of Homebase.

Chief Executive transition
The committee led the process that resulted in the appointment of John Walden as Chief Executive on 14 March 2014. The committee reviewed with John Walden, organisational changes and key roles below Board level to facilitate the transition into his new accountabilities, while securing continued focus on the Argos Transformation Plan.

Board committees
The committee considered and reaffirmed the membership of Board committees.

Board succession planning
During the year the committee reviewed Board succession, taking into account the balance of skills, experience, independence and knowledge on the Board. The committee considered the skills and experience that were most appropriate for the Group, taking into account its strategy and risk profile; developments and trends in the market; regulatory developments, including the regulation of consumer credit by the FCA; and the importance of the role of the Board in supporting creativity and innovation. The committee considered the length of service of the Chairman and non-executive directors and the size of the Board and the optimal approach to be adopted towards refreshing the skills and experience represented on the Board, while maintaining an appropriate degree of continuity through a period of significant change in the Group, including the implementation of the Argos Transformation Plan and the Homebase Productivity Plan.

Development of talent and diversity
The committee considered the management and development of talent, and activities to support and develop diversity. Following senior internal promotions and moves, the committee focused on the challenge of ensuring succession plans for key roles, recognising the market demand for ‘digital’ skills and experience, and the importance of developing the talent pipeline within the organisation. The committee considered the emphasis being placed on diversity and inclusion and supported the progress in developing the Group’s diversity and inclusion strategy.

From a gender perspective, as at 28 February 2015, the Company had two female directors representing 29% of the Board (FY14: 29%) and 18% of the Group Executive Board members were women (FY14: 22%). The committee discussed ethnic and gender diversity in senior management and the work taking place to develop and maintain a diverse colleague base, including training in unconscious bias and balanced and diverse short-lists for roles.

More information on the Group’s policy and approach to diversity can be found in the corporate responsibility section of the Group’s website, homeretailgroup.com.
Membership
The Audit Committee comprises all of the independent non-executive directors and is chaired by Ian Durant, whom the Board considers has both recent and relevant financial experience. Ian Durant is a Chartered Accountant and a former Finance Director of Liberty International (renamed Intu Properties) and other companies. Further biographical details of Ian Durant are shown in the Board of Directors’ profiles on page 33.

Meetings
The committee met five times during the year and attendance at those meetings is shown on page 37 within the corporate governance section. At the invitation of the committee chairman, the Group Chairman, Chief Executive and Finance Director attended all committee meetings. The Group head of internal audit and the external auditors also attended all regularly scheduled meetings of the committee at the invitation of the committee chairman. The external auditors did not attend an additional meeting in January 2015 that considered external auditor rotation and mandatory tendering. After each of the four regular meetings the committee met with the external auditors and the head of internal audit, in each case without the presence of executive directors or management.

Main activities
The committee supports the Board in carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. It oversees internal audit and the relationship with the external auditor including the effectiveness of the external audit and the provision of non-audit services by the external auditor. The committee has a structured annual programme developed from its terms of reference and linked to the Group’s financial calendar. The programme includes standing items the committee considers at each meeting as well as topical items on which the committee has chosen to focus. The committee’s terms of reference are reviewed annually and were last reviewed in February 2015. They can be found on the Group’s website homeretailgroup.com. Specific issues considered by the committee included the results of the Group’s balance sheet review exercise which was completed during the year, the Group’s response to risks arising in relation to information and cyber security, the transition of consumer credit regulatory responsibility to the FCA and a review of risk management processes taking into account the changes to the UK Corporate Governance Code that will apply to the Group in FY16.

At each of the four regular meetings, the committee considered reports from the head of internal audit and reports on any material or potential litigation involving Group companies. During the period under review, the committee also reviewed management of fraud risk and incidences of fraud including the Group’s anti-bribery arrangements; reviewed arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in financial reporting, dishonesty, corruption, breaches of business principles and other matters and reviewed the statement in the annual report on the system of internal control (see page 37 within the corporate governance section).

Fair, balanced and understandable
The Board asked the committee to advise on whether the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group’s business model, strategy and performance. The committee reviewed the process for preparing the Annual Report and Financial Statements.
This process included the following key elements:

- Review of new regulations and reporting requirements with external advisers to identify additional information and disclosures that may be appropriate.
- Preparation of a detailed timetable and allocation of drafting responsibility to relevant internal teams with review by an appropriate senior manager.
- Provision of an explanation of the requirements of ‘fair, balanced and understandable’ to those with drafting responsibility.
- Monitoring of the integrity of the financial statements and other information provided to shareholders to ensure they represented a clear and accurate assessment of the Group’s financial performance and position.
- Review of significant financial reporting issues and judgements contained in the financial statements.
- Review of all sections of the report by relevant external advisers.
- Review by senior management responsible for the annual report process.
- Interim progress review of both process and report content with the Audit Committee chair.
- Review of a paper presented to the committee which set out to review the contents of the annual report and substantiate why it provided a fair, balanced and understandable view of the year under review.

The committee reviewed the annual report and has confirmed to the Board that in the opinion of the committee it is fair, balanced and understandable.

Financial reporting
The committee reviewed the full-year and half-year results announcement, the Annual Report and Financial Statements and considered reports from the external auditors identifying any accounting or judgemental issues requiring its attention.

To inform the Board’s assessment of whether it was appropriate for the Group to adopt the going concern basis in preparing financial statements, at both the half year and full year, the committee considered detailed reviews, based on the Group’s financial plans, in relation to liquidity and solvency taking into consideration the Group’s cash position, bank facilities and store card receivables together with a range of sensitivities.

The primary areas of accounting judgements and issues considered by the committee in relation to the FY15 financial statements and how these were addressed are set out below.

Commercial income
Following the FRC’s December 2014 press release on the disclosure of complex supplier arrangements in financial statements, the committee reviewed the different types of commercial income within the Group, and the accounting policies and estimates applied in recognising this income. The committee also considered and concurred with the increased disclosure which management has included in the consolidated financial statements. This disclosure can be found in the Group’s accounting policies on page 80 and in note 20 on page 101.

Goodwill impairment assessment
The committee reviewed management’s assessment of the carrying value of the Group’s goodwill of £1,544m. In doing so the committee considered the key judgements including the discount rate, long-term growth rate, and the projected future cash flows of each cash-generating unit to which goodwill is allocated, based upon the financial plans approved by the Board.

The committee concluded that the projected value-in-use calculations based on these cash flows supported the carrying value of the Group’s goodwill, and therefore that no impairment had occurred. Details of the assumptions applied in calculating the value-in-use of the Group’s goodwill are set out in note 14 to the consolidated financial statements on page 96.

Impairment of store card receivables
Store card receivables of £580m represent a significant asset on the Group’s balance sheet. The provision for impairment has been established on a portfolio basis, taking into account the level of arrears, past loss experience and defaults based on portfolio trends, and also judgements made by management to assess the appropriateness of the provision. The committee concurred with management’s assessment and judgements and agreed that the provisioning level was appropriate. Further details of provisions against receivables are disclosed in note 20 to the consolidated financial statements on page 101.

Property provisions
The committee considered the property provisions which include provisions made for store exit costs and provisions made for onerous lease contracts for stores that have closed, or where a decision to close has been announced, and for those stores where the projected future trading income is insufficient to cover the lower of exit cost or cost of continuing to trade the store. The onerous lease model is judgemental and dependent on future events such as trading conditions at a particular store. The onerous lease provisions represent management’s best estimate of the liability at the balance sheet date based on the financial plans approved by the Board. The committee agreed with the judgements made and conclusions drawn by management, and concluded that it was appropriate to recognise a net release of £15.9m in the FY15 property provisions. Further details can be found in note 24 on page 103.

Balance sheet review
During the first half of the financial year management commenced a review of certain higher risk areas within the Argos balance sheet. Subsequent to this and following the well publicised accounting issues in the retail sector and the FRC’s December 2014 press release in respect of complex supplier arrangements, management agreed with the Audit Committee to broaden this review to encompass a detailed review of the Group’s balance sheet. This exercise involved significant internal and external resource.

During the course of the year the committee received regular updates on the review at the end of which it considered the results, which amounted to a net credit of £11.5m being recognised as a one-off non-benchmark item in the current year together with certain control and process improvements, principally in Argos. Further details of these adjustments are disclosed in the Group finance review to the consolidated financial statements on page 28.
Audit Committee report continued

Exceptional items

Argos Transformation Plan

Given the scale of the Argos Transformation Plan, the committee considered the judgements made by management when assessing the items to be reported as exceptional. The committee agreed with management’s assessment that the exceptional items in respect of the Argos Transformation Plan have been calculated and reported in accordance with the policy set out in note 3. These items have been reported in note 9 to the consolidated financial statements and amounted to £12.2m.

Homebase Productivity Plan

The committee has reviewed the nature of Homebase exceptional costs which have been incurred in FY15 as a result of the cost-reduction exercise associated with the store exit programme included within the previously announced Homebase Productivity Plan. The exceptional costs incurred in FY15 amounted to £6.2m and related to costs associated with a Homebase head office restructuring programme together with the closure of a distribution centre in FY16. The committee agreed with management’s assessment that these items, which have been reported in note 9 to the consolidated financial statements, have been calculated and reported in accordance with the policy set out in note 3.

Provisions for customer redress in respect of Financial Services products

The Group’s Financial Services division offers Payment Protection Insurance to its customers. In response to an industry-wide review by the FCA, a full investigation was undertaken in FY14 with the support of an independent expert, which resulted in a customer redress exercise commencing. An increase to the provision of £4.1m was charged to exceptional items in FY15 and redress payments have begun to be made resulting in the partial utilisation of this provision during FY15. The provision continues to represent management’s best estimate of the liability for future customer redress payments at the balance sheet date. The committee agreed with the judgements made and conclusions drawn by management, and therefore concluded that the accounting for these provisions was appropriate.

Other Group restructuring costs

The committee agreed with management’s assessment that these exceptional items, which totalled £13.0m and which principally related to costs associated with transitioning the Group’s information systems infrastructure and services to Fujitsu, have been calculated and reported in note 9 to the consolidated financial statements, in accordance with the policy set out in note 3.

Other areas which were discussed and considered by the Audit Committee in relation to the FY15 financial statements and how these were addressed are set out below.

Impairment of assets

Management concluded that it was prudent to test the Argos and Homebase store assets for impairment at year-end. The store portfolios were therefore tested for impairment, using value-in-use calculations, based on projected future cash flows from the financial plans approved by the Board. The committee concurred with the conclusion that an impairment charge of £15.8m was required in Homebase and that no charge was required in Argos. Further details of the impairment charge can be found in note 16.

Inventory provisions

Inventory of £963m represents a significant asset on the Group’s balance sheet and is carried at the lower of cost and net realisable value. Net realisable value takes into account slow moving, obsolete and defective inventory. Provision is also made against inventory losses arising, for example, due to theft. The committee considered and concurred with management’s assessment of the net realisable value of inventory because the methodology used in calculating provisions against inventory has been consistently applied by management, taking into account previous experience of impairment or inventory losses.

External audit

One of the primary responsibilities of the Audit Committee is to assess the effectiveness of the external audit process and make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors. The committee took a number of factors into account in its assessment, including but not limited to:

- the quality and scope of the planning of the audit. In September 2014, the external auditors presented their strategy for FY15 to the committee. The committee reviewed and agreed with the external auditors’ assessment of risks. The committee also reviewed the audit approach including how the external auditors’ planned to evolve the audit to respond to changes in the business including the Transformation Plan in Argos and the external auditors’ approach to assessing materiality for the Group;
- the quality of reports provided to the committee and the Board and the quality of advice given;
- the level of understanding demonstrated of the Group’s businesses and the retail sector;
- the objectivity of the external auditors’ views on the controls around the Group and the robustness of challenge and findings on areas which required management judgement; and
- the key messages highlighted in the Public Report on the 2013/14 inspection of PricewaterhouseCoopers by the FRC’s Audit Quality Review Team (AQRT) and the principal findings highlighted for audit committees in the AQRT’s annual report for 2013/14.

In addition, a review was undertaken by the Group’s internal audit department of the effectiveness of the external audit for the previous financial year.

Effectiveness was assessed in relation to three areas: robustness of audit; quality of audit; and quality of people and service. A questionnaire was completed by stakeholders within management, including managing directors of the main businesses, members of the risk committee and divisional finance directors. Respondents were required to ‘score’ the external auditors’ performance against a range of criteria and were also given the opportunity to provide comments and explanations. The results evidenced a positive evaluation of the work of the external auditors and that high standards had been maintained. The committee reviewed and discussed the findings of the report with the lead audit engagement partner after taking into account all of the above factors, the committee concluded that the external auditors were effective.

Taking into consideration the audit strategy and proposed areas of work and the assessment of the effectiveness of the external audit for the previous financial year, the Audit Committee discussed and approved the external auditors’ audit fee proposal. Further details of the audit fee can be found in note 7 on page 91.
Independence

External auditor independence is an essential part of the audit framework and the assurance it provides. The committee reviews the independence of the external auditor when considering their reappointment. The committee has established control procedures to safeguard the objectivity and independence of the external auditors and to ensure that the independence of the audit work undertaken by the external auditors is not compromised. These procedures include a policy on the provision of non-audit services overseen by the Finance Director in consultation with the committee chair; annual confirmation of independence in writing by the external auditors following a review of relevant areas including relationships and investment, services provided to the Group and gifts and hospitality; consideration of the external auditors’ confirmation at a committee meeting; and half-yearly reports to the committee providing details of any assignments and related fees carried out by the external auditors in addition to their normal work. These control procedures are in addition to the Group’s anti-bribery and gifts and hospitality policies. Audit partner rotation forms part of the arrangements that support independence and objectivity.

External auditor rotation

The current external auditors, PricewaterhouseCoopers LLP, were appointed in 2006 and since that time the external audit has not been tendered formally. Following a review of the changes to external audit tendering regulations and guidance issued during the year, the committee concluded that it was appropriate to recommend the reappointment of PricewaterhouseCoopers LLP as the Group’s auditors for FY16 and then undertake a tender process for the FY17 audit.

Non-audit services

The Group’s policy on the provision of non-audit services is that the external auditors may only provide such services provided these do not conflict with their statutory responsibilities and ethical guidance. These services are:

- Further assurance services – where the external auditors’ knowledge of the Group's affairs means that they may be best placed to carry out such work. This may include 'but is not restricted to 'shareholder and other circulars’ regulatory reports and work in connection with acquisitions and divestments.
- Taxation services – where the external auditors’ knowledge of the Group's affairs may provide support to the Group's tax position. Where this is not the case, the work is put out to tender.
- General – in other circumstances, the external auditors may provide services’ provided that proposed assignments which exceed financial limits set out in the policy are put out to tender and decisions to award work are taken on the basis of demonstrable competence and cost effectiveness.

However, certain areas of work are specifically prohibited including work related to accounting records and financial statements that will ultimately be subject to external audit and management of ‘or significant involvement in’ internal audit services. The committee chair’s approval is required before the Group uses any non-audit services that exceed £50,000.

For the period under review non-audit fees paid to the Group’s auditors, PricewaterhouseCoopers LLP were less than 10% of the audit fee. Non-audit services provided by the external auditors were taxation services relating primarily to support work on routine HMRC enquiries. The external auditors were engaged to undertake these assignments after discussion with the committee chair because of their past experience in delivering similar services to the Group and their cost effectiveness. The fees in respect of assignments carried out by the external auditor in addition to their normal work in the period under review were:

<table>
<thead>
<tr>
<th>Service</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation services</td>
<td>0.1</td>
</tr>
<tr>
<td>All other services</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Internal audit and control

The Group has an internal audit department and the Group head of internal audit reports jointly to the chair of the committee and to the Finance Director. The committee agreed the audit plan to be undertaken by the internal audit team at its meeting in February 2014 prior to the start of the financial year and at each meeting throughout the year progress against this plan was reviewed. The plan was assessed on the basis of providing appropriate coverage over the internal control environment to provide the committee with a balanced overview across the Group, taking into account the level of risk and previous coverage. Additional areas of review were added to the plan as required where circumstances gave rise to an increased level of risk and any changes to the agreed audit plan were reviewed by the committee. At each meeting, except the additional January 2015 meeting, the committee considered reports from the head of internal audit on the results of all internal audit reviews, significant findings and progress on management actions agreed from previous audits. A review of the effectiveness of internal audit was carried out during the year by way of a questionnaire to stakeholders. Having considered the results of this survey and a number of other factors, including the quality of reporting to the committee and impartiality of the internal auditors, the committee concluded that internal audit was effective. In February 2015, the committee considered and approved internal audit’s audit plan for FY16 which includes an increased focus on both the Group’s Financial Services business and on the controls over key financial systems across the Group.

Risk management

The committee has delegated responsibility from the Board for considering operational, financial and compliance risks on a regular basis. Information on the Group’s approach to internal control and risk management is set out in the corporate governance section on pages 34 to 38. In September 2014 and February 2015, the committee reviewed reports on the Group’s risk management process and risk profile with particular focus on those risks classified as principal risks by management. A summary of the principal risks and uncertainties that could impact the Group’s performance can be found on pages 24 and 25. The committee reviewed revised procedures in response to the changes to the Code, which apply to the Group in FY16, and the FRC guidance entitled ‘Guidance on Risk Management, Internal Control and Related Financial and Business Reporting’.
Dear fellow shareholders, I am pleased to present the remuneration report for the year ended 28 February 2015.

The purpose of the Remuneration Committee is to ensure that the remuneration offered to our executive directors supports the strategic aims of the business by delivering strong business performance aligned with shareholder interests.

As detailed in last year's report, the committee carried out a full review of executive remuneration during FY14 and formulated a revised policy which became effective from the Annual General Meeting (AGM) in July 2014, having received a 94.9% vote in favour.

The committee is satisfied that this framework continues to be appropriate for the coming year and as such no changes in respect of the policy report are being proposed this year. Therefore, this year’s report focuses on how the policy was implemented during FY15, and our approach for FY16, as set out on pages 45 to 53. For completeness, the full policy report, which will not be subject to a vote at the 2015 AGM, is also set out on pages 54 to 61.

The strategy for the Group is set out in the strategic report on pages 5 and 6 and is focused on creating long-term value for our shareholders by offering leadership in convenience and choice for customers in an emerging digital age. The Argos Transformation Plan, announced in October 2012, and the Homebase Productivity Plan, which was announced in October 2014, are key to the delivery of this strategy.

The committee is satisfied that the framework set out in the policy report continues to support this strategy and the interests of our shareholders, by aligning incentives and the associated stretching targets with the strategic plan. The links to strategy that support specific elements of remuneration are set out in the policy report on pages 54 to 61.

At the end of FY15, the committee reviewed performance against the targets for both benchmark profit before tax (PBT) and adjusted cash flow to determine annual bonus outcomes. Performance achieved was 40.3% for benchmark PBT and 70.5% for adjusted cash flow. This resulted in a total bonus pay-out for executive directors of 72.0% of base salary.

The committee is satisfied that this level of bonus pay-out is reflective of the business performance for FY15, which saw growth in benchmark PBT and another strongly cash-generative performance in respect of adjusted cash flow.

As last year, and in line with reporting regulations, this report is split into two sections:

- **Matters considered during the year**
  
  After considering the revisions to the UK Corporate Governance Code, the committee undertook a review of the malus and claw-back provisions applying to annual bonus and PSP awards. Following this review, the committee has developed an approach that will be applied from FY16 to both annual bonus and PSP awards. Information on this is provided on page 49. Details will be provided should events occur that lead to this policy being applied.

  During the year, the committee also considered other executive pay arrangements including, but not exclusively, the structure of FY16 arrangements and the base pay for the executive directors. Based on their contribution to business performance during the year, both executive directors have been awarded a 2% increase, which is in line with the pay award for the broadbanded population (which covers a range of circa 3,500 roles, both management and non-management) across the Group. Further information is provided on page 48.

- **Engagement**
  
  During the year I contacted a number of major shareholders and I am grateful for the input I received. I hope that shareholders will be supportive of the advisory resolution on the FY15 annual report on remuneration. I will be available at the AGM to answer any questions you may have.

**Cath Keers**  
Chair – Remuneration Committee

**Directors’ remuneration report for the year ended 28 February 2015**

The directors’ remuneration report has been prepared in accordance with the relevant provisions of the Listing Rules and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

As last year, and in line with reporting regulations, this report is split into two sections:

- The annual report on remuneration (pages 45 to 53), which provides details on how directors were paid in FY15 and how we intend to implement the remuneration policy in FY16.
  
  This section of the report will be subject to an advisory shareholder vote at the 2015 AGM.

- The policy report (pages 54 to 61), which received a positive shareholder vote at the AGM on 2 July 2014. It is intended that this will last three years until the AGM in 2017 when a new policy will be presented for the shareholder approval.
Annual report on remuneration

This section provides information about the Remuneration Committee, how directors were paid in FY15 and how the committee intends to implement the remuneration policy, as set out on pages 48 to 49, in FY16.

The following directors were members of the committee during FY15:
- Cath Keers (Chair)
- Ian Durant
- John Coombe
- Jacqueline de Rojas
- Mike Darcey

At the invitation of the committee, John Walden, the Chief Executive (from 14 March 2014), attended the meetings to give background information on remuneration matters. The committee was also advised by Richard Ashton, Finance Director; Julie Elder, Human Resources Director; and Louise Baker, Head of Reward. The secretary to the committee was Gordon Bentley, Company Secretary.

Deloitte LLP continued to act as advisors to the committee, having been appointed during FY14 following a competitive selection process. During the year they have advised the committee on a number of executive remuneration matters including, but not exclusively, developments in market practice and governance and reward benchmarking data. Total fees for advice provided to the committee during the year under review, on a time-spent basis, amounted to £83,300. Deloitte LLP are members of the Remuneration Consultants Group and the committee is satisfied that their advice is independent. Deloitte LLP also provided other services to Home Retail Group in relation to broader remuneration matters.

The terms of reference of the committee can be found on the Group’s website at homeretailgroup.com.

The details over the following pages show the implementation of policy, first looking back to FY15 and second looking forward to FY16.

Executive directors – single total figure of remuneration (audited)

The following table sets out the single-figure for total remuneration for executive directors for FY15 and FY14.

<table>
<thead>
<tr>
<th>£000</th>
<th>Salary</th>
<th>Benefits</th>
<th>Bonus</th>
<th>LTIP</th>
<th>Pension</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Walden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>623</td>
<td>46</td>
<td>449</td>
<td>1,443</td>
<td>187</td>
<td></td>
<td>2,748</td>
</tr>
<tr>
<td>FY14</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Richard Ashton</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>480</td>
<td>13</td>
<td>346</td>
<td>2,099</td>
<td>120</td>
<td></td>
<td>3,058</td>
</tr>
<tr>
<td>FY14</td>
<td>480</td>
<td>14</td>
<td>461</td>
<td>–</td>
<td>217</td>
<td>–</td>
<td>1,172</td>
</tr>
<tr>
<td>Former executive director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terry Duddy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>35</td>
<td>2</td>
<td>–</td>
<td>2,952</td>
<td>10</td>
<td>365</td>
<td>3,364</td>
</tr>
<tr>
<td>FY14</td>
<td>838</td>
<td>55</td>
<td>804</td>
<td>–</td>
<td>286</td>
<td>–</td>
<td>1,983</td>
</tr>
</tbody>
</table>

Notes:
1. John Walden was appointed as Chief Executive with effect from 14 March 2014 and was not an executive director during FY14.
2. In addition to the LTIP shown above, in March and May 2012, upon the appointment of John Walden as Managing Director of Argos, the Company made an award under the terms of the company’s PSP. The awards were subject, in part, to performance conditions which were fully satisfied. The first of these awards was released on the vesting date of 1 March 2015 and sufficient shares were sold to satisfy the tax and social security liabilities falling due on the release of these shares and to cover the incidental costs of disposal. The value of this award, based on the share price at the vesting date and before the sale of shares mentioned, was £1,062,000. Further details are provided on page 50.

3. Terry Duddy stepped down from the Board on 14 March 2014 and the FY15 figures for salary, benefits and pension reflect payments for this period. In line with his contractual obligations, Terry Duddy continued to receive his base salary and benefits (including pension supplement) up to 2 July 2014 (the date of the FY14 AGM) and the value of these payments is shown under ‘Other’.

Notes to the single-figure table and remuneration outcomes

Benefits

Benefits include values relating to all-employee share schemes including Save-As-You-Earn (SAYE), private medical insurance, life assurance and company car cash allowance. The value of the SAYE benefit has been calculated as £250 x 20% x 12 to reflect the value of the share price discount which applies, based on directors saving the maximum amount over the course of the year.

John Walden was also provided with certain travel benefits, including a cash allowance to cover certain flights to and from the US, and US private health cover.

The benefits shown for Terry Duddy reflect the period until 14 March 2014 when he stepped down from the Board.

FY15 annual bonus

Following the committee’s review of remuneration, the maximum annual bonus opportunity for executive directors in FY15 was reduced to 130% from 150% in previous years. The payment of FY15 bonus was subject to the achievement of targets based on two equally-weighted measures: benchmark PBT and adjusted cash flow. The table sets out the performance achieved against each metric and corresponding bonus pay-out. 75% of the bonus is paid in cash and 25% deferred into shares for three years in line with agreed policy.

The committee is satisfied that the financial performance of the Group for FY15 and level of year-on-year growth in benchmark PBT and strongly cash-generative performance in respect of adjusted cash flow supports the payment of the bonuses described in the following table.

<table>
<thead>
<tr>
<th></th>
<th>Benchmark PBT</th>
<th>Adjusted cash flow</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% weighting</td>
<td>50%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum opportunity % salary</td>
<td>65%</td>
<td>65%</td>
<td>130%</td>
</tr>
<tr>
<td>FY15 threshold level</td>
<td>£121m</td>
<td>£240m</td>
<td>n/a</td>
</tr>
<tr>
<td>FY15 maximum level</td>
<td>£150m</td>
<td>£305m</td>
<td>n/a</td>
</tr>
<tr>
<td>FY15 performance achieved</td>
<td>40.3%</td>
<td>70.5%</td>
<td>55.4%</td>
</tr>
<tr>
<td>% of salary</td>
<td>26.2%</td>
<td>45.8%</td>
<td>72.0%</td>
</tr>
<tr>
<td>£000 value – John Walden, Chief Executive</td>
<td>£163</td>
<td>£286</td>
<td>£449</td>
</tr>
<tr>
<td>£000 value – Richard Ashton, Finance Director</td>
<td>£126</td>
<td>£220</td>
<td>£346</td>
</tr>
</tbody>
</table>

Terry Duddy did not receive any bonus in respect of time served during FY15.
FY13 PSP awards performance tested in FY15

Performance conditions for executive directors for the FY13 PSP award were based 60% on TSR and 40% on basic benchmark EPS targets. The performance conditions were tested at the end of the three-year performance period, 27 February 2015, and threshold performance for both conditions was exceeded. The level of performance for each condition and corresponding award is set out in the table below.

As well as TSR and basic benchmark EPS performance, the value of awards in the single-figure table and in the table below are calculated using a share price of £1.99 and include dividend-equivalent amounts. The share price used is the average of the price for the three months preceding 28 February 2015. Awards are released to participants on 23 May 2015. The value at the date of release may be higher or lower than the amount stated depending on share price movements. The annual report for FY16 will reflect the value of the FY13 award at date of vesting.

The committee is satisfied that the business performance over the three-year performance period supports the vesting of awards.

<table>
<thead>
<tr>
<th>% weighting</th>
<th>TSR</th>
<th>Basic benchmark EPS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td></td>
<td>40%</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum opportunity</td>
<td>150%</td>
<td>100%</td>
<td>250%</td>
</tr>
<tr>
<td>% of salary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threshold (25% of element)</td>
<td>50th percentile</td>
<td>5% CAGR</td>
<td>n/a</td>
</tr>
<tr>
<td>Maximum (100% of element)</td>
<td>90th percentile</td>
<td>10% CAGR</td>
<td>n/a</td>
</tr>
<tr>
<td>Performance achieved</td>
<td>59th percentile</td>
<td>14% CAGR</td>
<td>n/a</td>
</tr>
<tr>
<td>Vesting (% of maximum)</td>
<td>42.7%</td>
<td>100.0%</td>
<td>65.6%</td>
</tr>
</tbody>
</table>

£000 value – John Walden, Chief Executive from 14 March 2014

£563 £880 £1,443

£000 value – Richard Ashton, Finance Director

£820 £1,279 £2,099

£000 value – Terry Duddy¹, Chief Executive until 14 March 2014

£1,153 £1,799 £2,952

Note:
1. As set out in the FY14 report, Terry Duddy was afforded good leaver status by the committee. The shares that will be released to him have been pro-rated to reflect his service during the performance period.

Total pension entitlements (audited)

Pension provision for both executive directors was provided in the form of an annual cash allowance. At the choice of the executive director, this may be delivered in the form of either a cash allowance or as a payment into the Group’s Defined Contribution scheme. The allowances for the Chief Executive and Finance Director are 30% of base salary and 25% of base salary respectively.

Until 30 April 2013, Richard Ashton accrued benefits under a non-contributory unapproved unfunded retirement benefit scheme for earnings above £137,400.

Terry Duddy received a cash allowance for pension provision until 14 March 2014. See ‘Other’ below for benefits post 14 March 2014.

Other (audited)

As set out above, in line with his contractual obligations and as disclosed in the FY14 report, Terry Duddy continued to receive his base salary and benefits (including pension supplement) from 14 March 2014, when he stepped down from the Board, up to 2 July 2014 (the date of the FY14 AGM). The value of these payments is reflected under this heading in the single-figure table.

Executive directors – remuneration for FY15

The following section provides information about remuneration arrangements for executive directors during the year under review, FY15. All arrangements are in line with the policy report set out on pages 54 to 61.

FY15 base salary

As set out in the single-figure table, the base salary for John Walden, Chief Executive, was £650,000 from the date of appointment, and for Richard Ashton, Finance Director, was £480,000.

The base salary for the Chief Executive was set on appointment in line with our stated policy and at a level which reflected market practice in companies of similar size and complexity. The base salary of the Finance Director was not increased during the year.

FY15 pension entitlements

As set out in the notes to the single-figure table, the executive directors continued to receive allowances in line with policy during FY15.

FY15 annual bonus

The notes to the single-figure table describe the targets and outcome of the FY15 annual bonus.
FY15 PSP award
During FY15 the executive directors were granted PSP awards equivalent to 200% of base salary, reduced from 250% in previous years.

FY15 awards were subject to performance targets that continued to support the delivery of the Group’s strategic and growth ambitions, as well as reflecting the continued focus on cash as part of the Group’s strategy.

To support the latter, in addition to targets for TSR and basic benchmark EPS, a new target based on cumulative adjusted cash flow was introduced in FY15.

The following table sets out more detail on the performance measures, which will be assessed over the three financial years FY15, FY16 and FY17. Each will vest on a straight-line basis between the relevant points:

<table>
<thead>
<tr>
<th>% of award</th>
<th>TSR1</th>
<th>Basic benchmark EPS2</th>
<th>Cumulative adjusted cash flow3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>(25% of element)</td>
<td>50th percentile</td>
<td>7% CAGR</td>
<td>£835m</td>
</tr>
<tr>
<td>Maximum</td>
<td>75th percentile</td>
<td>20% CAGR</td>
<td>£1,030m</td>
</tr>
</tbody>
</table>

Notes:
1. TSR measures the growth in share price in a hypothetical shareholding (assuming any dividends received are reinvested) for Home Retail Group compared to that of selected retail comparators across the performance period. This provides a direct link between the remuneration of executive directors and the value generated for shareholders.

For the awards made in FY15, 25% of the award vests for TSR performance at the 50th percentile of the comparator group, with full vesting for TSR performance at the 75th percentile. Vesting occurs on a straight-line performance basis between these two points. Below 50th percentile performance no award will vest. For these awards, TSR will be measured over the period of three consecutive financial years of the Group commencing 2 March 2014.

The TSR comparator group was unchanged for FY15 at the point of making awards. However, following the merger of Carphone Warehouse and Dixons Retail, the committee used its discretion to determine the appropriate method of assessment.

The comparator group for the TSR element of the FY15 award comprised: Debenhams; Dixons Carphone; Dunelm; Halfords; J Sainsbury; Kingfisher; Marks & Spencer; Morrisons; Mothercare; Next; Tesco; Topps Tiles; Travis Perkins; and WH Smith.

In the event of any further material changes to the comparator group, the committee will use its discretion to determine the appropriate method of assessment.

2. Basic benchmark EPS continues to be one of our key profit measures. This measure reflects the profitability of the Group and therefore helps to align awards with growth in this key financial metric. For the FY15 awards, growth rates will be measured over the three financial years FY15, FY16 and FY17 on a point-to-point basis.

The committee continues to set stretching basic benchmark EPS growth targets which are aligned to our growth ambitions. 25% of this element of the award vests for basic benchmark EPS CAGR of 7%, with full vesting (100% of this element) requiring CAGR of 20%. Vesting occurs on a straight-line performance basis between these two points.

3. Cumulative adjusted cash flow was introduced as a measure for the FY15 awards to reflect the importance of cash generation in delivering our strategic plan. The successful management of cash generation is important in supporting the Group’s investment plans and future earnings growth.

Cumulative adjusted cash flow is defined in a consistent manner to that utilised within the annual bonus scheme and is calculated as the Group’s reported cash flow excluding capital expenditure, shares issued or purchased (including those acquired to fulfil incentive scheme share awards), acquisitions or divestments, dividends paid to shareholders, payments made to reduce the Group’s defined benefit pension scheme deficit, increases or decreases in the Group’s Financial Services loan book and cash flows in respect of exceptional restructuring items.

For FY15 awards, cumulative adjusted cash flow is measured over the three financial years FY15, FY16 and FY17. Threshold vesting (25% of the element) will require cumulative adjusted cash flow of £835m, with full vesting (100% of the element) requiring cumulative adjusted cash flow of £1,030m. Vesting occurs on a straight-line performance basis between these two points. It is intended that the committee should have the discretion to adjust the target, on an exceptional basis only, for material factors that may otherwise distort performance in either direction to allow performance to be assessed against targets that have been set on a consistent basis. Any use of discretion to adjust performance targets or the assessment of performance will be disclosed to shareholders in the annual report on remuneration following the relevant year-end.

In accordance with the rules of the plan, the committee may determine to waive or change any performance condition in accordance with its terms or if any significant corporate event occurs which causes the committee to reasonably consider it appropriate to do so.

The committee has the discretion to review any additional adjustments at the time of vesting.

If the committee uses its discretion in relation to any performance targets, details will be provided of how the discretion was exercised and how the resulting level of award was determined in the annual report on remuneration following the relevant year-end.
Executive directors – implementation of our remuneration policy for FY16 (non-audited)
The committee has applied the approved policy for FY16 as set out below:

FY16 base salary
In line with policy, salary increases for the wider employee group, as well as relevant market data and individual performance, are taken into consideration when determining increases for the executive directors. Based on these considerations, the salaries for the Chief Executive and Finance Director have been increased for FY16 in line with the increase for the broadbanded population across the Group (which covers a range of roles, both management and non-management) of c.2%.

<table>
<thead>
<tr>
<th>Executive Director</th>
<th>FY16 Base Salary</th>
<th>FY15 Base Salary</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Walden, Chief Executive</td>
<td>£663,000</td>
<td>£650,000</td>
<td>2%</td>
</tr>
<tr>
<td>Richard Ashton, Finance Director</td>
<td>£489,600</td>
<td>£480,000</td>
<td>2%</td>
</tr>
</tbody>
</table>

Notes:
1. Effective from 1 March 2015.
2. FY15 salary from date of appointment.

Pension entitlements
Pension arrangements for the executive directors are unchanged from FY15.

FY16 annual bonus
As reflected in the agreed policy and consistent with the approach taken in FY15, awards under the PSP for the executive directors will continue to be 200% of base salary.

Given the strategy of the Group for FY16 and its KPIs as set out on page 11, the committee feels it appropriate to continue to structure PSP awards as set out in the table below. The FY16 awards will continue to vest on a straight-line basis between the relevant points.

The committee continues to set stretching targets for the annual bonus which support year-on-year improvement of Group financial performance. The threshold to maximum ranges around target recognise the year-on-year growth ambitions of the Group and have been set to continue to incentivise executive directors to deliver the business performance expected by shareholders.

Due to the competitive nature of the retail sector, the targets for FY16 have not been disclosed in this report as they are considered by the Board to be commercially sensitive information and as such could be damaging to the Group’s and shareholders’ interests. The committee will disclose targets retrospectively in the FY16 annual report. Details of targets in respect of the FY15 annual bonus are provided on page 45.

<table>
<thead>
<tr>
<th>Metrics and weighting</th>
<th>Benchmark PBT</th>
<th>Adjusted cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold to maximum as a range around target</td>
<td>£5m below to £22.5m above</td>
<td>£15m below to £35m above</td>
</tr>
</tbody>
</table>

Weightings
John Walden, Chief Executive: 50%
Richard Ashton, Finance Director: 50%
TSR
The TSR comparator group for FY16 has been reviewed in light of the merger of Dixon Retail and Carphone Warehouse. The committee considered a number of options against an agreed set of criteria and based on this assessment both AO World and B&M Retail have been included in the comparator group for FY16 awards. The full comparator group is set out in the table below. The targets are set out in the previous table and all other aspects of the measurement and definition of TSR are unchanged from FY15.

<table>
<thead>
<tr>
<th>AO World</th>
<th>Dunelm</th>
<th>Marks &amp; Spencer</th>
<th>Tesco</th>
</tr>
</thead>
<tbody>
<tr>
<td>B&amp;M Retail</td>
<td>Halfords</td>
<td>Morrisons</td>
<td>Topps Tiles</td>
</tr>
<tr>
<td>Debenhams</td>
<td>J Sainsbury</td>
<td>Mothercare</td>
<td>Travis Perkins</td>
</tr>
<tr>
<td>Dixons Carphone</td>
<td>Kingfisher</td>
<td>Next</td>
<td>WH Smith</td>
</tr>
</tbody>
</table>

Basic benchmark EPS
The committee has reviewed the FY15 basic benchmark EPS growth targets and is satisfied that they continue to be aligned to the growth ambitions of the Group and are stretching for the FY16 awards.

For the FY16 awards, growth rates will be measured over the three financial years FY16, FY17 and FY18 on a point-to-point basis. The targets are set out in the table above and all other aspects of the measurement and the definition of basic benchmark EPS are unchanged from FY15.

Cumulative adjusted cash flow
The committee also reviewed the approach to the cumulative adjusted cash flow target. The committee is satisfied that the target continues to support the delivery of the cash generation needed to deliver the Group’s strategic plan.

For FY16 awards, cumulative adjusted cash flow is measured over the three financial years FY16, FY17 and FY18. The targets are set out in the table above and all other aspects of the measurement and definition of cumulative adjusted cash flow, together with committee’s discretion to adjust targets where appropriate, are unchanged from FY15.

Malus and claw-back
Following a review of current provisions in light of the revised UK Corporate Governance Code, the committee determined that both malus and claw-back provisions will apply to annual bonus and PSP awards with effect from FY16 (ie from FY16 awards onwards). The committee has developed an approach that sets out the considerations and process for the recovery of amounts that were paid in error following identification of a misstatement of results, an error in the calculation of an award and/or gross misconduct resulting in misstatement of results or a revised calculation of the award. Details will be provided should such events occur which lead to this policy being applied.

Non-executive directors – single total figure of remuneration (audited)
As outlined in the policy table on page 58, non-executive director fees should be broadly in line with market levels, set to reflect the responsibilities undertaken and sufficient to attract and retain high-calibre non-executives.

The following table sets out the single figure for total remuneration for non-executive directors for FY15 and FY14. Non-executive directors did not receive any performance-related payments or benefits during either year.

<table>
<thead>
<tr>
<th>£000</th>
<th>FY15</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Coombe</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Mike Darcey</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>Ian Durant</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Cath Keers</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Jacqueline de Rojas</td>
<td>77</td>
<td>77</td>
</tr>
</tbody>
</table>

The fees shown above include the element used to purchase shares.

Non-executive directors – arrangements for FY16 (non-audited)
The table below provides information on the Group’s forward-looking arrangements for non-executive directors in relation to FY16.

Following a review in February 2015, fees will be held at their current level for FY16.

<table>
<thead>
<tr>
<th>£000</th>
<th>Cash element of fee</th>
<th>Element of fee to be used to purchase shares1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>200</td>
<td>50</td>
<td>250</td>
</tr>
<tr>
<td>Non-executive director base fee</td>
<td>50</td>
<td>27</td>
<td>77</td>
</tr>
<tr>
<td>Senior independent director fee</td>
<td>10</td>
<td>–</td>
<td>10</td>
</tr>
<tr>
<td>Audit Committee chair fee</td>
<td>22.5</td>
<td>–</td>
<td>22.5</td>
</tr>
<tr>
<td>Remuneration Committee chair fee</td>
<td>15</td>
<td>–</td>
<td>15</td>
</tr>
</tbody>
</table>

Note:
1. This element of the fee must be used to purchase Group shares after the payment of tax. Shares purchased must be retained until retirement from the Board.
Audited information relating to share awards

Awards made to executive directors during FY15 (audited)

The table below sets out details of the awards made under the PSP to the executive directors during FY15. These awards are subject to the performance conditions set out on page 55.

<table>
<thead>
<tr>
<th></th>
<th>Type of award</th>
<th>Date of grant</th>
<th>Number of shares granted</th>
<th>Face value1 (£000)</th>
<th>Face value (% of salary)</th>
<th>Threshold vesting (% of face value)</th>
<th>End of performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Walden</td>
<td>PSP</td>
<td>21/05/14</td>
<td>663,670</td>
<td>1,300</td>
<td>200%</td>
<td>25%</td>
<td>25/02/17</td>
</tr>
<tr>
<td>Richard Ashton</td>
<td>PSP</td>
<td>21/05/14</td>
<td>490,094</td>
<td>960</td>
<td>200%</td>
<td>25%</td>
<td>25/02/17</td>
</tr>
<tr>
<td>Options2</td>
<td>21/05/14</td>
<td>15,871</td>
<td>30</td>
<td>6%</td>
<td>25%</td>
<td></td>
<td>25/02/17</td>
</tr>
</tbody>
</table>

Notes:
1. Face value for PSP is calculated using the average of the closing middle market quotations recorded in the Daily Official List of the London Stock Exchange for the ten dealing days preceding the award date and for Options is calculated using the closing middle market share price on the dealing day preceding the award.
2. These are HMRC approved options linked to the PSP award. If these options are exercised the PSP award is scaled back by the same gross amount.

Outstanding scheme interests of executive directors (audited)

The table below provides details of the position as at the end of FY15 (or position as at the date of resignation of the executive director from the Board if earlier) of outstanding awards made to the executive directors who served in the period under review.

<table>
<thead>
<tr>
<th></th>
<th>Date of grant</th>
<th>Plan shares at 1 March 2014</th>
<th>Plan shares awarded during the period</th>
<th>Plan shares exercised during the period</th>
<th>Plan shares lapsed during the period</th>
<th>Total Plan shares held at 28 February 2015</th>
<th>Market price at date of grant</th>
<th>Vesting date</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Walden</td>
<td>23/05/12</td>
<td>1,050,285</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,050,285</td>
<td>78.6p</td>
<td>23/05/15</td>
</tr>
<tr>
<td></td>
<td>22/05/13</td>
<td>917,400</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>917,400</td>
<td>149.9p</td>
<td>23/05/16</td>
</tr>
<tr>
<td></td>
<td>21/05/14</td>
<td>663,670</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>663,670</td>
<td>195.9p</td>
<td>21/05/17</td>
</tr>
<tr>
<td></td>
<td>01/03/121</td>
<td>528,252</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>528,252</td>
<td>104.0p</td>
<td>01/03/15</td>
</tr>
<tr>
<td></td>
<td>23/05/121</td>
<td>700,190</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>700,190</td>
<td>78.6p</td>
<td>23/05/15</td>
</tr>
<tr>
<td>Richard Ashton</td>
<td>10/05/11</td>
<td>535,713</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>535,713</td>
<td>224.0p</td>
<td>10/05/14</td>
</tr>
<tr>
<td></td>
<td>23/05/12</td>
<td>1,527,688</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,527,688</td>
<td>78.6p</td>
<td>23/05/15</td>
</tr>
<tr>
<td></td>
<td>22/05/13</td>
<td>800,640</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>800,640</td>
<td>149.9p</td>
<td>23/05/16</td>
</tr>
<tr>
<td></td>
<td>21/05/14</td>
<td>490,094</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>490,094</td>
<td>195.9p</td>
<td>21/05/17</td>
</tr>
<tr>
<td>Terry Duddy</td>
<td>10/05/11</td>
<td>935,267</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>935,267</td>
<td>224.0p</td>
<td>10/05/14</td>
</tr>
<tr>
<td></td>
<td>23/05/12</td>
<td>2,667,090</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>518,602</td>
<td>2,148,488</td>
<td>78.6p</td>
</tr>
<tr>
<td></td>
<td>22/05/13</td>
<td>1,397,783</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>737,720</td>
<td>660,063</td>
<td>149.9p</td>
</tr>
</tbody>
</table>

Notes:
1. As described in the notes to the single-figure table, the awards received by John Walden in March and May 2012 were performance-tested in 2013. The performance targets were fully met and the awards released to John Walden in March and May 2015.
2. Performance conditions were not achieved for FY12 awards made on 10 May 2011 and all shares lapsed. Additionally, awards for Terry Duddy were lapsed to reflect his date of cessation.
3. Share price has been rounded to one decimal place.

Directors’ remuneration report continued
**Share options**

The following table shows the share options granted under the share save plan and the approved share options granted under an HMRC approved amendment to the PSP. At the time of vesting, to the extent that there is a gain on the approved options under the PSP, conditional awards to the same value will be forfeited, resulting in the same gross value as a conditional award only.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of grant</th>
<th>Options held at 1 March 2014</th>
<th>Options awarded during the period</th>
<th>Options exercised during the period¹</th>
<th>Options lapsed during the period</th>
<th>Total options held at 28 February 2015</th>
<th>Exercise price²</th>
<th>Date from which exercisable</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Walden</td>
<td>23/05/12</td>
<td>37,950</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>37,950</td>
<td>79.1p</td>
<td>23/05/15</td>
<td>24/05/15</td>
</tr>
<tr>
<td>SAYE</td>
<td>03/07/13</td>
<td>7,258</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7,258</td>
<td>124.0p</td>
<td>01/09/16</td>
<td>01/03/17</td>
</tr>
<tr>
<td>Richard Ashton</td>
<td>21/05/14</td>
<td>–</td>
<td>15,871</td>
<td>–</td>
<td>–</td>
<td>15,871</td>
<td>189.0p</td>
<td>21/05/17</td>
<td>23/05/17</td>
</tr>
<tr>
<td>SAYE</td>
<td>04/07/12</td>
<td>15,384</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>15,384</td>
<td>58.5p</td>
<td>01/09/15</td>
<td>01/03/16</td>
</tr>
<tr>
<td>Legacy²</td>
<td>31/05/05</td>
<td>80,576</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>80,576</td>
<td>359.9p</td>
<td>31/05/08</td>
<td>30/05/15</td>
</tr>
<tr>
<td>Terry Duddy</td>
<td>Legacy²</td>
<td>31/05/05</td>
<td>197,277</td>
<td>–</td>
<td>–</td>
<td>197,277</td>
<td>359.9p</td>
<td>31/05/08</td>
<td>30/05/15</td>
</tr>
</tbody>
</table>

Notes:
1. Share price has been rounded to one decimal place.
2. See policy table on page 57 for details on legacy awards.
3. Legacy awards lapsed six months after cessation of employment for Terry Duddy.

**Statement of directors’ shareholding and share interests (audited)**

The Group requires executive directors to hold shares equivalent to 150% of base salary for the Chief Executive and 100% of base salary for the Finance Director. The executive directors are required to retain at least 50% of the after-tax value of shares vesting under the long-term incentive arrangements until such time as the guidelines have been met.

During FY15 the Finance Director met the shareholding requirement in full. The Chief Executive retained 100% of the after-tax value of shares vesting on 1 March 2015 and will continue to retain shares vesting from long-term incentive arrangements in line with the shareholding guidelines outlined above.

The table below sets out the directors’ current interests in Home Retail Group shares as at the year-end, with the exception of Terry Duddy where the shareholding is at 14 March 2014, the date he stepped down from the Board.

### Executive directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares owned outright at 28 February 2015</th>
<th>Interest in shares and share options without performance conditions as at 28 February 2015</th>
<th>Total shares and options not subject to performance conditions as at 28 February 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Walden</td>
<td>–</td>
<td>621,479</td>
<td>621,479</td>
</tr>
<tr>
<td>Richard Ashton</td>
<td>615,200</td>
<td>95,960</td>
<td>711,160</td>
</tr>
<tr>
<td>Terry Duddy¹</td>
<td>3,231,547</td>
<td>197,277</td>
<td>3,428,824</td>
</tr>
</tbody>
</table>

Note:
1. 2,619,355 shares were held by the director and 612,192 by a connected person.
Non-executive directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares owned outright at 28 February 2015</th>
<th>Shares owned outright by connected persons at 28 February 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Coombe</td>
<td>10,000</td>
<td>123,179</td>
</tr>
<tr>
<td>Mike Darcey</td>
<td>50,028</td>
<td>–</td>
</tr>
<tr>
<td>Ian Durant</td>
<td>35,730</td>
<td>–</td>
</tr>
<tr>
<td>Cath Keers</td>
<td>38,040</td>
<td>–</td>
</tr>
<tr>
<td>Jacqueline de Rojas</td>
<td>16,402</td>
<td>–</td>
</tr>
</tbody>
</table>

External appointments

Neither John Walden nor Richard Ashton held any external appointments during FY15. Terry Duddy was a non-executive director of Hammerson for which he received and retained an annual fee of £60,000.

Payments made to past directors (audited)

No payments were made during FY15 other than those made to Terry Duddy (who served as a director during the year) described on pages 45 to 61.

Payments for loss of office (audited)

No payments were made during FY15.

Percentage change in remuneration (non-audited)

The table below illustrates the percentage change in salary, benefits and annual bonus for the Chief Executive (based on the single-figure table) compared with that of colleagues in the broadbanded population (which covers a range of roles, both management and non-management) across the Group.

Remuneration for broadbanded colleagues is not subject to union negotiations and, as for FY14, the committee believes this provides the most reasonable comparator group.

<table>
<thead>
<tr>
<th></th>
<th>% change in base salary (FY14–FY15)</th>
<th>% change in benefits (FY14–FY15)</th>
<th>% change in annual bonus (FY14–FY15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive¹</td>
<td>21.5% decrease</td>
<td>12.7% decrease</td>
<td>44.2% decrease</td>
</tr>
<tr>
<td>Broadbanded colleagues²</td>
<td>2.1% increase</td>
<td>3.7% increase</td>
<td>13.1% decrease</td>
</tr>
</tbody>
</table>

Notes:

1. Figures for the Chief Executive relate to Terry Duddy for FY14 and both Terry Duddy and John Walden for FY15. The base salary for John Walden for FY15 was set at a level which reflects market practice in companies of a similar size and complexity. The lower salary also impacts the decrease in annual bonus, alongside performance against targets. The decrease in benefits is due to differences in travel benefits.

2. The following is relevant for the broadbanded population:
   a. Salary increases are based on an overall budget of circa 2%. The increase provided above also reflects personal performance.
   b. Benefit cost increases relate to increased costs of private medical cover and car benefit provision.
   c. The decrease in average bonus is due to the impact of a lower adjusted cash flow performance against target during FY15 compared to FY14.
Historic TSR performance (non-audited)
The graph below compares the TSR of Home Retail Group against the FTSE 350 Index of General Retailers for a six-year period. The FTSE 350 Index of General Retailers is considered the most appropriate choice of index as it is a relevant comparator group for a retail business.

Chief Executive remuneration outcomes (non-audited)
The table below illustrates the Chief Executive single-figure for total remuneration, annual bonus pay-out and PSP vesting as a percentage of maximum opportunity for the same six-year period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Chief Executive</th>
<th>Single figure of remuneration (£000)</th>
<th>Annual bonus pay-out (% of maximum)</th>
<th>LTIP vesting (% of maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>John Walden</td>
<td>2,748</td>
<td>55%</td>
<td>66%</td>
</tr>
<tr>
<td>FY14</td>
<td>Terry Duddy</td>
<td>1,983</td>
<td>64%</td>
<td>0%</td>
</tr>
<tr>
<td>FY13</td>
<td>Terry Duddy</td>
<td>2,134</td>
<td>53%</td>
<td>0%</td>
</tr>
<tr>
<td>FY12</td>
<td>Terry Duddy</td>
<td>1,732</td>
<td>17%</td>
<td>0%</td>
</tr>
<tr>
<td>FY11</td>
<td>Terry Duddy</td>
<td>1,709</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>FY10</td>
<td>Terry Duddy</td>
<td>4,676(^1)</td>
<td>100%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Note:
1. The FY10 single figure includes vesting from a number of legacy award schemes from GUS plc, as well as bonus and LTIP pay-out for that year.

Relative importance of spend on pay (non-audited)
The table below illustrates the year-on-year change in total remuneration compared to benchmark profit after tax and distributions to shareholder for FY15 and FY14.

<table>
<thead>
<tr>
<th></th>
<th>FY15 £m</th>
<th>FY14 £m</th>
<th>Percentage change year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total remuneration</td>
<td>643.2</td>
<td>659.8</td>
<td>2.5% decrease</td>
</tr>
<tr>
<td>Benchmark profit after tax</td>
<td>99.1</td>
<td>82.9</td>
<td>19.5% increase</td>
</tr>
<tr>
<td>Shareholder distributions(^1)</td>
<td>28.7</td>
<td>25.8</td>
<td>11.2% increase</td>
</tr>
</tbody>
</table>

Note:
1. Shareholder distributions refer to dividends paid or declared in respect of the financial year.

Shareholder voting (non-audited)
The table below sets out the results of the vote on the FY14 remuneration report and the FY14 directors’ remuneration policy report at the 2014 AGM:

<table>
<thead>
<tr>
<th></th>
<th>FY14 remuneration report</th>
<th>FY14 policy report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Votes in favour</td>
<td>551,856,290</td>
<td>533,499,996</td>
</tr>
<tr>
<td>%</td>
<td>98.83%</td>
<td>94.90%</td>
</tr>
<tr>
<td>Votes against</td>
<td>6,511,986</td>
<td>28,669,901</td>
</tr>
<tr>
<td>%</td>
<td>1.17%</td>
<td>5.10%</td>
</tr>
<tr>
<td>Total votes</td>
<td>558,368,276</td>
<td>562,169,897</td>
</tr>
<tr>
<td>%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Votes withheld</td>
<td>5,269,224</td>
<td>1,467,603</td>
</tr>
<tr>
<td>%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The committee is pleased with the level of shareholder support for the FY14 remuneration report and is committed to ongoing dialogue with shareholders.
Directors’ remuneration report continued

The policy report is unchanged from the report approved by the shareholders at the FY14 AGM, with the exception of the charts on page 58 which reflect FY16 arrangements.

Policy report (non-audited)

The committee reviewed the operation of the remuneration of executive directors during FY14. The policy table on pages 54 to 57 reflects the policy approved at the 2014 AGM and it is intended to apply for three years until 2017 unless a revised policy is approved by shareholders before this date. Group policy on the remuneration of executive directors, as described in the table on pages 54 to 57, is underpinned by the following principles:

- Remuneration arrangements support the attraction and retention of senior executives with the necessary skills and capability to deliver key strategic priorities for the Group without paying any more than necessary.
- The interests of shareholders and senior executives should be aligned through the use of performance metrics that support the creation of shareholder value by providing a strong link to the business strategy and financial performance of the Group.
- Total reward packages will be aligned with the relevant market (comparable UK listed retailers and companies of a similar size and complexity to the Group) but will be affordable in the context of overall business performance.
- The levels of short-term and long-term variable remuneration and the mix of equity and cash are set to provide stretching performance hurdles and incentives without encouraging unnecessary risk-taking.
- Individual executive contribution to delivering sustained, long-term business performance will be recognised and rewarded.
- Executive directors will be encouraged to acquire and retain Group shares through both the PSP and all-employee plans to further support alignment with shareholders.

The same principles apply for the remuneration decisions for the Group Executive Board (comprising senior executives, including the executive directors) and other senior colleagues across the Group where relevant.

The committee engages pro-actively with the Group’s major shareholders on remuneration matters. As set out in her introductory letter, the committee chair consulted with major shareholders in early 2014 on the proposed changes to the long-term and short-term incentive arrangements and other executive remuneration matters.

Remuneration policy table – executive directors

| BASE SALARY | To attract and reward executives of a suitable calibre to deliver the Group strategy. |
| STRATEGIC OBJECTIVES |  |
| OPERATION |  |
| - Contractual fixed-cash amount paid monthly |  |
| - Generally reviewed on an annual basis with any salary changes typically effective in March |  |
| - When reviewing salaries, account is taken of the following: |  |
| | - Benchmark data for other comparable UK listed retailers and companies of a similar size and complexity to Home Retail Group |
| | - Movements in the employment market |
| | - The general economic environment |
| | - Individual performance |
| | - Increases awarded to other colleagues in the Group |
| MAXIMUM |  |
| - While there is no set maximum, the committee would expect any increases to be broadly in line with increases awarded to other colleagues in the broad-banded population (which covers a range of roles, both management and non-management) across the Group |  |
| - The committee retains the discretion to make increases above this level in certain circumstances, for example, but not limited to: |  |
| | - an increase in the individual’s scope of responsibilities |
| | - in the case of a new executive director who may be initially positioned on a lower initial salary while they gain experience in the role |  |
| | Details of the base salaries for the executive directors for FY16 are provided in the annual report on remuneration on page 48 |  |
| PERFORMANCE METRICS | None – although performance of the individual is taken into account when setting and reviewing base salary levels. |
### Short-Term Incentive – Annual Bonus

**Strategic Objectives**

To incentivise and recognise the delivery of the Group’s strategic annual goals.

**Operation**

- Targets are set at the beginning of each year.
- Performance is determined by the committee after the year-end, based on assessment against targets measured over one financial year.
- The committee retains the discretion to scale back payment of any bonus after assessing the formulaic outcome against targets, should it consider it appropriate to do so.
- 75% of any annual bonus payment is paid in cash, with the remaining 25% deferred into share awards.
- The committee may, at its discretion, claw-back bonus awards in the event of material misstatement, an error in the calculation of the bonus or misconduct.
- The committee will set the deferral period applicable to the deferred bonus awards, which will normally be three years.
- Deferred share awards are subject to malus during the deferral period. The committee retains discretion to lapse unvested deferred awards in the event of material misstatement, error or misconduct.
- Deferred share awards will normally be delivered to participants after the normal vesting date, subject to the underlying financial performance of the Group and any other performance conditions that may apply.
- Awards may incorporate the right to receive dividend equivalents in the form of cash or shares during the vesting period.

**Maximum**

Maximum bonus opportunity for executive directors is 130% of base salary with up to 20% of maximum bonus opportunity payable for meeting threshold performance.

**Performance Metrics**

Performance measures for the annual bonus are normally based on annual financial performance measures, such as profit and adjusted cash flow. The committee may decide to include other, non-financial, key strategic targets in future years to reflect alignment with business strategy and shareholder interests, subject to at least 50% of measures being financial in nature.

- For FY15, targets will be based on benchmark PBT and adjusted cash flow and are equally weighted.
- The committee will review the targets and weighting each year and reserves the right to change measures and weightings in future years to reflect alignment with shareholder interests and business strategy.
- While the deferred bonus awards are not subject to any further performance conditions, awards will vest subject to the satisfactory underlying financial performance of the Group up until the date of vesting.
- The approach to targets that will apply for FY16 is provided in the annual report on remuneration on page 48.

### Long-Term Incentive – PSP

**Strategic Objectives**

To incentivise and reward delivery of long-term returns for shareholders and support retention.

**Operation**

- Awards are normally granted annually and vest at the end of a three-year performance period, subject to assessment of the achievement of performance conditions by the committee, unless the committee determines otherwise.
- Award levels are determined based on market practice among other retailers and companies of a similar size and complexity as the Group with a face value set by reference to multiples of base salary.
- Performance measures are selected by the committee to incentivise the delivery of value to shareholders over the longer term through the achievement of key strategic measures.
- A malus rule applies to executive directors for awards granted since FY13 giving the committee the discretion to scale back unvested awards in the event of misstatement, error or misconduct.
- Awards may include the right to receive dividend equivalents in the form of cash or shares during the vesting period.

**Maximum**

- The usual maximum value of shares awarded to executive directors in respect of a financial year will be 200% of base salary.
- 25% of the award – ie up to 50% of base salary – vests for achieving threshold performance.
- The PSP rules allow awards in shares in respect of a financial year of up to a maximum of 300% of base salary. However, the committee does not intend to make awards above the usual maximum of 200%, other than in exceptional circumstances – for example, to facilitate the buy-out of awards forfeited by a new recruit on cessation of their previous employment.

**Performance Metrics**

Performance is assessed against three measures weighted as follows:

- 40% relative TSR performance against a group of sector peers.
- 30% EPS growth.
- 30% cumulative adjusted cash flow.

The committee reserves the right to alter the measures and weightings year-on-year if it deems it appropriate, for example to focus executives on one measure to align better with the Group’s strategy and shareholder interests.

The approach to the targets that will apply for the FY16 awards is provided in the annual report on remuneration on page 48.

The committee may change a performance condition in accordance with its terms or if any event happens which causes the committee reasonably to consider this is appropriate.
### APPROVED HMRC ADDENDUM TO THE PSP

**STRATEGIC OBJECTIVES**
To support retention by delivering a proportion of the PSP award in a tax-efficient way.

**OPERATION**
- Provides the opportunity to have an element of any PSP award delivered using an HMRC approved plan
- Where a gain is made on the HMRC approved options under the PSP, conditional awards to the same value are forfeited to deliver the same gross value in a tax-efficient way

**MAXIMUM**
Will not exceed the current tax thresholds permitted by HMRC (currently £30,000).

**PERFORMANCE METRICS**
- Performance of the metrics will be assessed in line with those outlined under the PSP award
- In addition, the share price at the time of vesting must be greater than the share price at award date for this element of the PSP to trigger

### ALL-EMPLOYEE SHARE SCHEMES

**STRATEGIC OBJECTIVES**
To support alignment of executives with shareholders.

**OPERATION**
- Executive directors are entitled to participate in the same all-employee share schemes offered to other Group colleagues
- The Group currently operates a SAYE scheme under which participants can make monthly savings over a period of three or five years linked to the grant of options over Home Retail Group shares
- Participation limits for the SAYE scheme are up to those set by HMRC
- The committee reviews the structure of the all-employee scheme on an annual basis to set the maximum. However, this will not exceed the limits set by HMRC

**MAXIMUM**
- Participation limits for the SAYE scheme are up to those set by HMRC
- The committee reviews the structure of the all-employee scheme on an annual basis to set the maximum. However, this will not exceed the limits set by HMRC

**PERFORMANCE METRICS**
None.

### BENEFITS

**STRATEGIC OBJECTIVES**
To support the attraction and retention of executives of the calibre required to deliver the Group strategy.

**OPERATION**
- The benefits provided take into account market practice and may include, but are not limited to, the following:
  - Car benefits, including a driver
  - Private medical insurance and US healthcare for the executive director’s family
  - Relocation
  - Life insurance
  - Limited personal travel and home office expenses
  - Subscription to professional bodies
- The committee retains the discretion to change the benefits provided (including providing additional benefits) in line with market practice

**MAXIMUM**
- There is no maximum. The value of benefits will vary year-on-year depending on the cost of providing these benefits
- Set at an appropriate market level in the context of the market/role/individual

**PERFORMANCE METRICS**
None.

### RETIREMENT BENEFITS

**STRATEGIC OBJECTIVES**
To support the attraction and retention of executives of the calibre required to deliver the Group strategy.

**OPERATION**
- Executive directors are provided with retirement benefits which, at the choice of the executive director, may be delivered in the form of either a cash allowance or as a payment into the Group’s Defined Contribution scheme
- The value of the retirement benefit is the same regardless of the form chosen and executive directors receive no additional benefit/contribution if this allowance is delivered as payment into the Defined Contribution scheme

**MAXIMUM**
- The maximum employer contribution in respect of a financial year for any director is 30% of base salary

**PERFORMANCE METRICS**
None.
Remuneration policy table – legacy plans
The following tables set out a summary of any legacy plans under which outstanding awards are currently operating:

### HOME RETAIL GROUP NON-APPROVED SHARE OPTION PLAN

<table>
<thead>
<tr>
<th>STRATEGIC OBJECTIVES</th>
<th>Legacy plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATION</td>
<td></td>
</tr>
<tr>
<td>▪ Rolled-over ‘market value’ options were granted over Group shares following the demerger from GUS plc. The options are governed by the rules of the GUS plc executive share option scheme</td>
<td></td>
</tr>
<tr>
<td>▪ Vested options normally lapse on the tenth anniversary of grant, or if earlier, six months after cessation of employment (excluding time where dealing in shares is restricted under the Model Code) or twelve months in the case of death</td>
<td></td>
</tr>
<tr>
<td>MAXIMUM</td>
<td></td>
</tr>
<tr>
<td>▪ All outstanding options are now exercisable. Details of outstanding options granted to the current executive directors are set out on page 50</td>
<td></td>
</tr>
<tr>
<td>PERFORMANCE METRICS</td>
<td>Performance conditions measuring historic GUS plc EPS growth have already been assessed and fully met.</td>
</tr>
</tbody>
</table>

### HOME RETAIL GROUP SECURED UNAPPROVED RETIREMENT BENEFIT SCHEME

<table>
<thead>
<tr>
<th>STRATEGIC OBJECTIVES</th>
<th>Legacy plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATION</td>
<td></td>
</tr>
<tr>
<td>▪ The Finance Director has retained benefits under a Secured Unapproved Retirement Benefit Scheme which is now closed to future accrual. This arrangement is designed to replicate the benefits available from the Home Retail Group Pension Scheme for earnings over a certain limit. No further benefits will accrue under this scheme</td>
<td></td>
</tr>
<tr>
<td>▪ Subject to the consent of the independent trustee of the scheme, the Group may offer members the opportunity to take a cash equivalent transfer offer from the scheme. The cash equivalent offer would be calculated using the same factors as those used by the Trustee of the Home Retail Group Pension Scheme with the exception of the mortality assumption which would be changed to reflect the assumed mortality of the membership of the scheme</td>
<td></td>
</tr>
<tr>
<td>▪ The cash equivalent transfer value would not typically provide any additional or uplifted benefit to the individual. Group National Insurance costs relating to individuals accepting a cash equivalent offer may be covered by the Group at the discretion of the committee</td>
<td></td>
</tr>
<tr>
<td>MAXIMUM</td>
<td>n/a – legacy plan.</td>
</tr>
<tr>
<td>PERFORMANCE METRICS</td>
<td>None.</td>
</tr>
</tbody>
</table>

Notes:
- The performance measures selected for the purposes of the annual bonus plan and the long-term incentive plan are key performance indicators for the Group. They support and reward sustainable and long-term shareholder value creation. Performance targets are set taking into account prior-year performance, annual budgets and longer-term financial plans, strategic imperatives and external factors including analyst forecasts.
- The claw-back mechanism under the annual bonus plan will be facilitated through the reduction in value of whichever of the following payments come first:
  - The vesting of any deferred bonus (if such arrangements exist) linked to the performance year to which the claw-back related; or
  - The next vesting under the PSP (at its value when it vests); or
  - The next bonus.

Only after these possibilities have been exhausted would the Group seek to recover a net-of-tax cash payment from the individual.

The elements of remuneration for executive directors apply to a significant number of employees within the Group. Award levels and participation vary depending upon seniority and market factors. Further details are provided on page 58.

**General**

The committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

(i) before the policy came into effect; or
(ii) at a time when the relevant individual was not a director of the Group and, in the opinion of the committee, the payment was not in consideration of the individual becoming a director of the Group.

For these purposes ‘payments’ includes, but is not limited to, the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are ‘agreed’ at the time the award is granted. The committee may also make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.
Illustration of our executive remuneration policy for FY16

The charts below show how the composition of each of the executive directors’ remuneration packages varies at different levels of performance achievement. The chart for the Chief Executive is based on the remuneration arrangements for John Walden, who was appointed with effect from 14 March 2014.

John Walden
Chief Executive (£000)

<table>
<thead>
<tr>
<th>Fixed pay</th>
<th>In line with expectation</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>911</td>
<td>1,673</td>
<td>3,099</td>
</tr>
</tbody>
</table>

20%, 25%, 45%

Richard Ashton
Finance Director (£000)

<table>
<thead>
<tr>
<th>Fixed pay</th>
<th>In line with expectation</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>624</td>
<td>1,186</td>
<td>2,240</td>
</tr>
</tbody>
</table>

20%, 25%, 44%

Note: The values exclude share price appreciation and dividends. The charts have been updated to reflect FY16 figures.

The assumptions used in the charts above are as below.

Fixed pay – minimum performance
- Base salary, benefits and pension (total fixed pay)
  - Base salary: As effective for FY16
  - Benefits: Based on the value received for FY15
  - Pension: Based on pension provision of 30% for the Chief Executive and 25% for the Finance Director
- No bonus pays out
- No vesting under the PSP

In line with the Group’s expectations
- Total fixed pay as outlined under ‘minimum performance’
- 50% of maximum bonus opportunity (65% of base salary for both of the executive directors)
- 25% of long-term incentive share awards (50% of base salary for both of the executive directors)

Maximum performance
- Total fixed pay as outlined under ‘minimum performance’
- 100% of annual bonus opportunity (130% of base salary for both of the executive directors)
- 100% of long-term incentive share awards (200% of base salary for both of the executive directors)

All-colleague remuneration policy

The remuneration policy for colleagues across the Group enables us to provide a reward package that supports the recruitment of individuals with the skills we need to deliver both service to our customers and the broader strategic priorities of the Group.

Circa 6,600 colleagues are eligible to participate in annual bonus arrangements, which are subject to stretching Group or Operating Company targets and their personal performance. Performance measures are broadly aligned with those of the executive directors.

Management colleagues who have the greatest potential to influence Group performance are also invited to participate in the long-term incentive arrangements. Circa 350 colleagues are invited to participate on an annual basis.

All permanent colleagues in the UK are eligible to participate in the all-employee share schemes.

Remuneration policy table – non-executive directors

The following sets out a summary of each element of the non-executive directors’ remuneration packages, the policy for how these are operated and their link to the Group strategy.

<table>
<thead>
<tr>
<th>Element and strategic objective</th>
<th>Policy and maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees should be broadly in line with market levels and sufficient to attract and retain high-calibre non-executives.</td>
<td>Fees are a combination of cash fees paid monthly and shares, purchased twice each year. Shares purchased must be retained until retirement from the Board of Directors.</td>
</tr>
<tr>
<td>Fees for each non-executive should be set by reference to the responsibilities undertaken.</td>
<td>While there is no maximum fee level for individuals, the total fees paid to the non-executive directors will not exceed the aggregate limit set out in the Group’s Articles of Association, currently £1.5m.</td>
</tr>
<tr>
<td>The fee structure is as follows:</td>
<td>The fee structure is as follows:</td>
</tr>
<tr>
<td>– The Chairman fee comprises a single, consolidated fee.</td>
<td>– The Chairman fee comprises a single, consolidated fee.</td>
</tr>
<tr>
<td>– The non-executive directors are paid a basic fee, plus additional fees for chairing the Audit and Remuneration Committees and to the senior independent director.</td>
<td>– The non-executive directors are paid a basic fee, plus additional fees for chairing the Audit and Remuneration Committees and to the senior independent director.</td>
</tr>
<tr>
<td>The Group reserves the right to pay additional non-cash benefits if considered appropriate, the value of which would be within the limit described above.</td>
<td>The Group reserves the right to pay additional non-cash benefits if considered appropriate, the value of which would be within the limit described above.</td>
</tr>
<tr>
<td>Actual fee levels are disclosed in the annual report on remuneration for the relevant financial year.</td>
<td>Actual fee levels are disclosed in the annual report on remuneration for the relevant financial year.</td>
</tr>
</tbody>
</table>
Recruitment remuneration arrangements
When determining the remuneration of a new executive director, the committee’s principle is to ensure that the arrangements are in the best interests of both the Group and the shareholders by paying only what is considered necessary to recruit an individual of the right calibre to deliver the Group strategy.

The committee will consider all relevant factors when determining the arrangements for a new executive director. This may include, but is not limited to, the skills/experience of the individual, market practice and any remuneration being forfeited by the individual. Typically, a new recruit will be brought in on, or be transitioned onto, the same package structure that applies to other executive directors as set out in the policy table. However, in exceptional circumstances, the committee retains discretion to make appropriate remuneration decisions that fall outside the limits and structure of the policy if it considers this to be necessary to recruit the individual. This may include, but is not limited to, the provision of additional benefits. Notwithstanding this, the maximum level of variable remuneration which may be awarded (excluding any buy-outs) will be within the limits set out in the policy table.

To facilitate recruitment, the committee may buy-out any remuneration arrangements forfeited by a new director on leaving their former employment. The committee will generally seek to structure any buy-out on a like-for-like basis, considering all relevant factors including the form of the awards (ie cash or equity), performance conditions attached to the awards, the likelihood of such conditions being met and the time frame of the awards.

In structuring the buy-out, the committee retains discretion to grant awards under Listing Rule 9.4.2 which allows for the granting of awards, specifically to facilitate, in unusual circumstances, the recruitment of an executive director without seeking prior shareholder approval. The value of buy-outs is excluded from the maximum variable remuneration on recruitment. However, the committee will determine the value of buy-out arrangements within the principle of not paying more than is necessary to facilitate the recruitment of the preferred candidate.

On the appointment of a new chairman or non-executive director, remuneration arrangements will normally be consistent with the policy set out in this report. The rationale for any changes to policy will be clearly explained in the remuneration report following the appointment.

Service contracts and letters of appointment

Executive directors – service contracts
Both Terry Duddy and Richard Ashton were appointed as executive directors on 5 July 2006. Terry Duddy had a service contract dated 27 July 1999 and Richard Ashton has a contract dated 1 March 2005. John Walden was appointed as an executive director on 14 March 2014 following his promotion to the Board as Chief Executive. John Walden has a contract dated 15 January 2014.

Both of the executive directors may be invited to participate in the Group’s incentive arrangements as and when determined by the committee. All outstanding awards will be treated in accordance with the relevant plan rules.

Group policy is that service contracts for an executive director may be terminated with 12 months’ notice by the Group or six months’ notice by the individual. The Group may make a payment in lieu of notice based on the value of base salary and benefits including pension during the unexpired period of notice. This may be paid in instalments.

John Walden’s service contract includes a duty to mitigate any payment made in lieu of notice by seeking comparable alternative employment. As part of his leaving arrangements, Terry Duddy also had a duty to mitigate should he find alternative employment before 2 July 2014. While Richard Ashton’s contract does not include specific terms relating to mitigation in respect of a payment in lieu of notice, the committee would expect to require a similar duty to mitigate should any payment in lieu of notice be agreed at the time of Richard Ashton’s departure.

Copies of the service contracts may be viewed at the Group’s registered office.

Non-executive directors – letters of appointment
The non-executive directors, including the Chairman, are appointed via letters of appointment. Non-executive directors are initially appointed for a three-year term and are typically expected to serve up to a maximum of three, three-year terms subject to review by the Board every three years.

The appointment of a non-executive director may be terminated with one month’s notice by either the Group or the individual. The Chairman is subject to a notice period of three months.

Copies of the letters of appointment may be viewed at the Group’s registered office.

Policy on departing directors
The committee’s approach to determining any payment for loss of office should an executive director leave employment will be based on the following principles:

- The committee will satisfy any contractual obligations agreed with the departing executive director, providing that such obligations are not in contradiction with the policy set out in this report, or if so, having not been entered into on a date later than 27 June 2012.
- The committee will apply mitigation where appropriate, for example by making payment in lieu of notice in the form of monthly instalments, to be reduced should the individual secure alternative employment before the end of the notice period.
- The committee will use its discretion as to the treatment of any outstanding share awards at cessation, in accordance with the rules of each plan. The policy for leavers is summarised in the table overleaf.

The normal treatment is as follows:
- PSP: Awards would normally be released at the normal vesting date and pro-rated for time served during the vesting period, and subject to achievement of any performance conditions that apply.
- Deferred Bonus Plan: Unvested awards under the Deferred Bonus Plan will normally be delivered to the individual in full at the normal vesting date, subject to the underlying financial performance of the Group, and any other performance conditions that may apply.

The committee will consider the specific circumstances of the cessation of employment, including the manner of departure and performance to date, with any payments made on an individual case by case. Discretion to allow payment of bonus or vesting of awards would not normally be exercised where the director has resigned and would never be used where employment was terminated for cause.
Directors’ remuneration report continued

The table below sets out the specific policy in relation to each element of remuneration:

<table>
<thead>
<tr>
<th>Element</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base pay and benefits</strong></td>
<td>The policy in relation to base pay and benefits is as described in relation to the executive directors’ service contracts on page 59.</td>
</tr>
<tr>
<td><strong>Short-term incentive – annual bonus</strong></td>
<td>The committee may make a payment under the annual bonus in respect of the financial year of cessation, subject to the achievement of the performance targets that apply to the bonus. However, the committee is not under any obligation to make such a payment and any such payment will typically take into consideration the manner of departure and individual performance up to the date of cessation. Discretion would not normally be exercised where the director has resigned and would never be used where employment was terminated for cause.</td>
</tr>
</tbody>
</table>
| **Long-term incentive – PSP**    | PSP awards will typically lapse if the executive director ceases to hold office and employment before they vest. However, awards may continue in effect if the participant ceases to hold office and employment for any of the following reasons and is therefore considered a ‘good leaver’:
  - Ill-health, injury or permanent disability
  - Retirement with the agreement of the Group
  - Sale of the Company or business the director works for out of the Group
  - Redundancy
  - Death

  Outstanding awards will normally vest at the end of the performance period, subject to the extent the relevant performance conditions have been satisfied. However, the committee retains discretion to allow awards to vest at the date of cessation subject to the extent that the performance conditions have been satisfied at this date. Unless the committee decides otherwise, awards for leavers in these circumstances are pro-rated (calculated on a monthly basis) to reflect the proportion of the performance period that has elapsed on cessation of employment or, in relation to a non-performance-related award, the vesting period.

  The committee may also apply this treatment if the director leaves for any other reason if exceptional circumstances are deemed to exist or if it terminates a director’s employment (other than for cause) within six months of the change of control of the Group. Discretion would not normally be exercised where the director has resigned and would never be used where employment was terminated for cause.

  If a participant dies, awards vest at the date of death. Unless the committee determines otherwise, relevant performance conditions do not apply. Awards will be pro-rated for time, unless the committee determines otherwise.

| Sharesave                        | Options are exercisable for a limited period from the date of leaving using savings made to the date of exercise.                                                                                             |
| Deferred Bonus Plan              | Outstanding awards will vest at the original vesting date subject to the satisfactory underlying financial performance of the Group up until the date of vesting.                                      |
|                                  | Deferred shares will normally be released in full at the usual vesting date except in the case of death, injury, disability, ill-health and redundancy when awards may vest wholly or in part on cessation. To the extent that awards do not vest, they will continue in effect. Awards will lapse where an individual leaves for reasons of misconduct, malfeasance or any other reason at the committee’s discretion. |
| Other                            | The committee may also at its discretion approve the provision of reasonable outplacement benefits to a departing executive.                                                                                  |
Corporate events

Change of control
In the event of a takeover or if shares are acquired by scheme of arrangement, PSP awards would normally vest to the extent that any performance conditions, as determined by the committee, have been satisfied up to that date. Such awards would be reduced by reference to the performance period that has elapsed at the time of the relevant event.

Alternatively, the committee may determine that awards be exchanged for awards in the acquiring company. In such circumstances, a participant may accept an offer to exchange awards if one is made by the acquiring company.

In the event of a change of control, Deferred Bonus Plan awards would normally vest at the date of the change of control unless the committee determines that the underlying financial performance of the Group up until the event has not been satisfactory. Unless the committee determines otherwise, such awards would not be reduced on a time pro-rata basis. Alternatively, the committee may determine that awards be exchanged for awards in the acquiring company. Similarly, a participant may accept an offer to exchange awards if one is made by the acquiring company.

Sharesave options will become exercisable for a limited period to the extent of savings made to the date of exercise or can be exchanged for shares in the company which acquires control of the Group (or a related company). Any cash received for shares held for a director in the Share Incentive Plan (SIP) as a result of the transaction will be paid to the participant and securities received will normally continue to be held in the SIP on broadly the same terms.

Other corporate events
If other corporate events occur (such as a demerger, delisting, distribution (other than an ordinary dividend), or any other significant corporate event which, in the opinion of the committee, would affect the current or future value of any awards), the committee may allow PSP awards to vest to the extent that any performance condition has been satisfied to that date as determined by the committee and subject to any other conditions the committee may decide to impose. The committee may also decide to time pro-rate such awards.

The committee may also allow Deferred Bonus Plan awards to vest unless it is determined that the underlying financial performance of the Group up until the corporate event has been unsatisfactory. Unless the committee decides otherwise, such awards would not be time pro-rated.

Adjustments may be made to the number or kind of shares subject to awards and options (and/or the exercise price of options) if there is a demerger, distribution, special dividend, any variation of capital or any other corporate event that might affect the current or future value of awards.

Where an individual is transferred overseas and is likely to suffer a tax disadvantage in relation to their award or become restricted in their ability to hold shares, the committee may, in exceptional circumstances, allow awards to vest.

Where the committee considers it appropriate awards may be settled in the form of cash.

External appointments
Executive directors and members of senior management may be invited to become non-executive directors of other companies subject to the agreement of the Group. These appointments provide an opportunity to gain broader experience outside Home Retail Group and therefore benefit the Group. Providing that appointments are not likely to lead to a conflict of interest, executive directors may accept non-executive appointments and retain the fees received.

Individuals are limited to holding one external PLC board appointment, other than at the discretion of the committee. Other external appointments, such as school governor appointments or appointments to the boards of charities, are at the discretion of the committee.

Employment considerations elsewhere in the Group
The committee does not consult with colleagues when formulating the remuneration policy for executive directors. However, it recognises that there is a need to understand the wider context of remuneration across the Group when setting levels of pay for executive directors.

The committee considers budgeted salary increases for the wider broadbanded colleague group (which covers a range of roles, both management and non-management) when determining increases for the executive directors. Additionally, the committee reviews and approves all LTIP awards and reviews bonus outcomes for a range of colleagues below executive director level.

Consideration of shareholder views
The committee is committed to engaging in an open dialogue with the Company’s shareholders and will seek views and opinions on significant matters relating to the remuneration of the executive directors as appropriate. During the year, the committee chair met with a number of investors to discuss the proposed changes to the executive director remuneration arrangements and took their views into account when finalising the policy.

Signed on behalf of the Board

Cath Keers
Chair – Remuneration Committee
29 April 2015
Directors’ report

The directors present their report and the audited consolidated financial statements for the 52 weeks ended 28 February 2015 (the ‘year’).

Home Retail Group plc (the ‘Company’) is the ultimate parent company of Home Retail Group (the ‘Group’), which operates in the UK and the Republic of Ireland.

Sections required to be included in this Annual Report and Financial Statements in accordance with the Companies Act 2006 are set out below. Pages 62 to 64 inclusive (together with sections of the annual report incorporated by reference) form part of the directors’ report which is presented in accordance with, and with reliance upon, applicable English company law. The liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

In accordance with s 414C(11) of the Companies Act 2006, the Company has chosen to include certain information in the strategic report as follows:

- Particulars of important events affecting the Group since the last financial year.
- Indication of likely future development of the business of the Group.

Other information, which forms part of the directors’ report, can be found in the following sections and locations within the annual report:

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<th>Page No’s/Note</th>
</tr>
</thead>
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<td>Pages 26 and 95</td>
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<tr>
<td>Nomination Committee report</td>
<td>Page 39</td>
</tr>
<tr>
<td>Post balance sheet events (Financial statements)</td>
<td>Note 35 on page 113</td>
</tr>
<tr>
<td>Risk management (Principal risks and uncertainties)</td>
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<tr>
<td>Strategic report</td>
<td>Pages 4 to 31</td>
</tr>
<tr>
<td>Publication of unaudited financial information (Group financial review)</td>
<td>Pages 27 to 31</td>
</tr>
<tr>
<td>Details of long-term incentive schemes (Directors’ remuneration report)</td>
<td>Pages 44 to 61</td>
</tr>
<tr>
<td>Shareholder waiver of dividends (Financial statements)</td>
<td>Note 12 on page 95</td>
</tr>
<tr>
<td>Shareholder waiver of future dividends (Financial statements)</td>
<td>Note 28 on page 109</td>
</tr>
</tbody>
</table>

Profit and dividends
The Group’s consolidated income statement on page 72 shows a profit for the year of £71.6m. The directors recommend the payment of a final dividend of 2.8p per ordinary share, to be paid on 23 July 2015 to shareholders on the register at the close of business on 22 May 2015. An interim dividend of 1.0p per ordinary share was paid on 22 January 2015, giving a total dividend for the year of 3.8p per ordinary share.

Directors
The names and biographical details of the directors are shown in the Board of Directors and Group Executive Board section on page 33. On 14 March 2014, Terry Duddy stepped down from the Board as Chief Executive and John Walden joined the Board as Chief Executive. Particulars of directors’ remuneration are shown in the remuneration report on pages 44 to 61. Details of the service contracts of the directors, and how a change of control will affect the service contracts of the executive directors, are summarised within the directors’ remuneration report on pages 59 to 61. Neither contract of the executive directors provides for extended notice periods or compensation in the event of termination or a change of control.

During the period and up to the date of this report, the Group maintained liability insurance and third-party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company and any of its associated companies. These indemnities are Qualifying Third-Party Indemnity Provisions as defined in Section 234 of the Companies Act 2006 and copies are available for inspection at the registered office of the Company during business hours on any weekday except public holidays.

Shareholder rights, appointment, removal of directors and directors’ powers
The internal regulation of the Company is set out in its Articles of Association which cover such matters as the rights of shareholders, the appointment or removal of directors and the conduct of the Board and general meetings. Copies are available upon request and are displayed on the Group’s website at homeretailgroup.com. In accordance with the Articles of Association, directors can be appointed or removed by the Board or shareholders in general meeting. Subject to company law and the Articles of Association, the directors may exercise all the powers of the Company and may delegate authorities to committees. Details of the principal Board committees can be found in the corporate governance section on page 35. The Company’s Articles of Association can be amended by a special resolution of the Company’s shareholders.

Share capital and control
As at 29 April 2015, the Company’s issued share capital comprised a single class of shares, referred to as ordinary shares. Details of the ordinary share capital can be found in note 27 to the financial statements on page 109. Each share carries the right to one vote at general meetings of the Company and ordinary rights to dividends.
The rights and obligations attaching to the shares are more fully set out in the Articles of Association of the Company. There are no restrictions on the transfer of ordinary shares in the Company other than the following:

- Certain restrictions may, from time to time, be imposed by laws and regulations (such as insider trading laws).
- Pursuant to the Listing Rules of the FCA, the Company requires certain employees to seek the Company’s permission to deal in the Company’s ordinary shares.

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities and/or voting rights. There are no shareholdings which carry special rights relating to control of the Company. Commerce, non-executive directors use part of their fees to purchase shares, which may not normally be transferred during a director’s period of office.

Pursuant to the Listing Rules of the FCA, the Company requires certain employees to seek the Company’s permission to deal in the Company’s ordinary shares.

Purchase of own shares

At the Annual General Meeting of the Company held on 2 July 2014, authority was given for the Company to purchase, in the market, up to 81,000,000 ordinary shares of 10p each. At the Annual General Meeting to be held on 1 July 2015, shareholders will be asked to give the Company authority to purchase, in the market, up to 81,000,000 ordinary shares of 10p each, details of which are contained in the Notice of Meeting.

Details of the Company’s interests in its own shares are set out in note 28 to the financial statements on page 109.

Substantial shareholdings

As at 29 April 2015, the Company had been notified under Rule 5 of the FCA’s Disclosure and Transparency Rules of the following holdings of voting rights in the issued share capital of the Company:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Total number of voting rights (ordinary shares)</th>
<th>Percentage of total voting rights (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schroders plc</td>
<td>114,607,223</td>
<td>14.09</td>
</tr>
<tr>
<td>RBC cees Trustee Limited</td>
<td>59,439,113</td>
<td>7.31</td>
</tr>
<tr>
<td>Sanderson Asset Management LLP</td>
<td>59,246,016</td>
<td>7.28</td>
</tr>
<tr>
<td>Old Mutual plc</td>
<td>48,821,669</td>
<td>6.00</td>
</tr>
<tr>
<td>The Capital Group Companies Inc</td>
<td>32,253,481</td>
<td>3.97</td>
</tr>
<tr>
<td>Royal London Asset Management Limited</td>
<td>24,504,400</td>
<td>3.01</td>
</tr>
</tbody>
</table>

Employees

The Group has in place measures to provide its employees with information on matters of concern to them as employees, including consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests. Various communication routes are made available to employees to give them awareness of the financial and economic factors affecting the performance of the Group and employees are also encouraged to be involved in the Group’s performance through a SAYE share scheme.

The Group has a policy in place for giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and for continuing the employment of, and for arranging appropriate training for, employees of the Group who have become disabled persons during the period when they were employed by the Group. The policy also covers the training, career development and promotion of disabled persons employed by the Group.

Employee share plans

Some of the Company’s employee share plans include restrictions on the transfer of shares while the shares are subject to the plan. As described in the directors’ remuneration report, non-executive directors use part of their fees to purchase shares, which may not normally be transferred during a director’s period of office.

Where, under an employee share plan operated by the Company, participants are the beneficial owners of the shares but are not the registered owners, the voting rights are normally exercised by the registered owner, at the direction of the participant.

All of the Company’s share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Financial risk management

The financial risk management objectives and policies of the Group and the exposure of the Group to price, credit, liquidity and cash flow risk are set out in note 4 to the consolidated financial statements on pages 85 to 88.

Political donations

The Group has made no political donations and incurred no items of political expenditure during the period.

Relevant audit information

As at 29 April 2015, so far as each director is aware, there is no relevant audit information of which the Company’s auditors are unaware and each director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to ensure that the auditors are aware of that information.
Directors’ report continued

Going concern
The strategic report and financial highlights reviews on pages 4 to 31 contain information on the performance of the Group, its cash flow and net cash position, capital structure and liquidity and funding. Further information relating to the Group’s financial risk management is set out in note 4 to the financial statements and the principal risks and uncertainties that could impact the Group’s performance are set out on pages 24 and 25.

After making enquiries, the directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors of the Company and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held at the Holiday Inn Milton Keynes, 500 Saxon Gate West, Milton Keynes MK9 2HQ, commencing at 11.00 am on Wednesday 1 July 2015. The Notice of Meeting is included in a separate circular to shareholders which is available on the Group’s website at homeretailgroup.com/investor-centre/. Paper copies will have been posted to shareholders who have elected to receive documents in that format.

The strategic report and the directors’ report were each approved by the Board and authorised for issue on 29 April 2015.

By order of the Board

Gordon Bentley
Company Secretary
29 April 2015

Registered Office:
Avebury
489–499 Avebury Boulevard
Milton Keynes
MK9 2NW

Company no. 5863533
The directors are responsible for preparing the annual report, the directors’ remuneration 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 prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 and the directors’ remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 information on the Group’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having taken advice from the Audit Committee, the directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

Each of the directors, whose names and functions are listed on page 34 confirm that, to the best of their knowledge:
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the management report contained in the strategic report and the directors’ report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

John Walden
Chief Executive
29 April 2015

Richard Ashton
Finance Director
29 April 2015