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Aurora Fashions Group Limited

Directors' Report and Financial Statements

For the period 1 March 2015 to 27 February 2016

Aurora Fashions Group Limited
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Aurora Fashions Group Limited
Company information

Directors	Jóhann Pétur Reyndal Matthew Charles Turner
Secretary	Heatons Secretaries Limited
Company number	7410878
Registered office	The Triangle Stanton Harcourt Industrial Estate Stanton Harcourt Witney Oxfordshire OX29 5UT
Auditor	KPMG LLP Arlington Business Park Theale, Reading, RG7 4SD
Banker	Barclays Bank plc 1 Churchill Place London E14 5HP
Loan Providers	Kaupthing Bank hf. Borgartun 26 105 Reykjavik Iceland
Solicitors	Field Fisher Waterhouse LLP 5th Floor, Free Trade Exchange 37 Peter Street Manchester M2 5GB White & Case LLP 5 Old Broad Street London EC2N 1DW

Aurora Fashions Group Limited

Strategic Report

Strategy and Objectives

The principal activities of the Group are the origination and production of exclusive ladies' clothing and fashion accessories under the 'Coast', 'Oasis', 'Warehouse' and 'Karen Millen' brand names for sale through its own retail outlets in Europe, the USA and Australasia, and to franchisees for sale through outlets in Europe, the Middle East, the Far East and South America.

Business Model

The Group's objective is to grow sales profitability and to optimise returns for its shareholders. This objective will be delivered by driving brand performance and leveraging existing assets while continuing to exploit the significant opportunity offered by development of new stores, concessions and ecommerce channels internationally. Over the period, the Group has made an investment totalling £14.7m across the Coast, Oasis, Warehouse and Karen Millen brands, focused on new infrastructure and merchandising systems, store refurbishments and continued investment in people.

After careful consideration, the decision has been made to discontinue the Coast Fashions Australia operations, and as such the Directors have taken the necessary steps to withdraw Coast from the Australian market and trading ceased in June 2015.

Aurora Fashions Group Limited is the holding company for the Aurora group of companies (the "Aurora Group"). Following a Group reconstruction and amendment to the senior facilities agreement effected 2 October 2015, Kaupthing Bank hf's holding of shares in Aurora Fashions Group Limited comprises 100% of all share capital by nominal value and 100% of the voting rights across all share capital. At 2 October 2015 in a share for share exchange Kaupthing Bank hf transferred its shares in Karen Millen Group Limited to Aurora Fashions Group Limited who in turn transferred the shares to Aurora Fashions Holdings Limited and in turn to Aurora Fashions Finance Limited. Details of the Group reconstruction and amendment agreement are contained in note 1.4 Basis of preparation.

KPI's

The directors use a number of key performance indicators which they consider are effective in measuring delivery of their strategy, and which assist in the management of the business. They assess individual store performance by monitoring changes in sales, margins and profitability.

Against the background of a difficult retail environment, total sales for the period amounted to £545.6 million (2015: £577.0 million).

The loss after tax for the period was -£15.6 million (2015: -£22.4 million) after taking into account net finance charges of £2.6 million (2015: £2.1 million).The operating loss before exceptional items for the period was -£7.2 million (2015: -£17.1 million).

Future developments

In March 2013 the Aurora Group announced the next phase of a fundamental reshaping of its business. Further to this announcement the Group continues to brand align its remaining shared service functions and respective employees (both during 2014/15 and 2015/16) which currently operate within Aurora Fashions Services Limited, an entity owned 50% by the OWL Group, 25% by the Coast Group and 25% by the Karen Millen Group.

The internal restructure as outlined will further enable the trading brands, Oasis, Warehouse, Coast and Karen Millen, to operate independently and focus on the continued development of the brands and omni-channel presence in both the UK and overseas.

Aurora Fashions Group Limited
Strategic Report (continued)

For the period 1 March 2015 to 27 February 2016

Principal Risks and Uncertainties

Changes in fashion trends

The principal risk faced by the Group is that the product offering declines in popularity, leading to reduced revenues, margins and cash flow. Across the Group the risk is managed by operating a buying and merchandising model which focuses on generating fashionable product lines, short lead times and low stock levels.

Supply chain

The Group is dependent on the ability of its suppliers to manufacture its products to the desired quality and standards and on its logistics providers to ensure it reaches the required location on a timely basis. The standards, arrangements and contingency plans are under constant review by management.

Liquidity risk

With effect from 2nd October 2015, 3 new standalone senior facilities agreements (SFA's) were executed. The new SFA's have been provided by Aurora Fashions Finance Limited in its capacity as lender, agent and security agent for Kaupthing Bank hf. The SFA's are in favour of the Oasis and Warehouse Group, the Coast Group and Karen Millen Group of companies. The new facilities are subject to financial covenant targets that adjust through to maturity of the loans. Performance against the covenants is measured quarterly. Further details are contained in note 1.4 'Going concern' and note 25 'Guarantees and commitments'.

Going Concern

Note 1.4 to the financial statements sets out the basis of preparation of the financial statements. As explained in note 1.4, having taken account of the Group's loss for the period and net liability position at the balance sheet date, the directors consider that it continues to be appropriate to prepare the financial statements on the basis that the Group is a going concern.

Interest rate risk

The Group's policy is to minimise the impact of interest rate volatility on interest cost to protect earnings. This is achieved by reviewing both the amount of floating indebtedness over a certain period of time and its sensitivity to interest rate fluctuations. From time to time, the Group may hedge its interest rate exposure in order to fix the Group's exposure to interest rates on floating debt.

Currency risk

The Group is exposed to foreign currency risks on sales and purchases. Exposures are primarily to the US Dollar and the Euro.

Forecast transactional exposures are reviewed and hedged based on forecasted levels of foreign currency transactions. Hedging is achieved using forward exchange contracts and other suitable derivative products.

Brexit risk

Following the vote to leave the EU, this has created political and economic uncertainty. The main risk to the group is currency risk and a potential drop in consumer confidence. As mentioned above the group will continue to hedge against currency risk and adjust plans accordingly. The group regularly reacts to trading upsides and downsides through its trading strategy and reviewing its business operations.

By Order of the Board

Matthew Turner

Matthew Turner
Director

21 July 2016

Aurora Fashions Group Limited

Directors' Report

For the period 1 March 2015 to 27 February 2016

The directors present their report and the audited financial statements of Aurora Fashions Group Limited ("the Company") and Aurora Fashions Group Limited and its subsidiary undertakings ("the Group" or "the Aurora Group") for the period from 1 March 2015 to 27 February 2016.

The Company is a member of the Aurora Fashions Group.

The current period for the Company relates to the 52 week period from 1 March 2015 to 27 February 2016. The prior period for the Company covers the 51 week and 5 day period from 4 March 2014 to 28 February 2015.

Results and dividends

The Group's results are set out on page 8.

The Directors do not recommend the payment of a dividend (2015: £nil).

Political and charitable contributions

The Group made no political contributions during the period (2015: £nil).

Directors

The current Directors of the Company are listed on page 2.

The changes in Directors since the start of the period are:

Elizabeth Evans	resigned 2 October 2015

Employees

Considerable importance is placed on communication, involvement and motivation of the employees and management of the Group. Two way communication ensures that employees are kept informed of the performance of the Group and of any key initiatives or projects, through regular briefings and bulletins.

The Group is committed to the continuing development of its employees and the implementation of policies that enable them to contribute to the performance and long term effectiveness of the organisation. Every opportunity is taken to reinforce our values throughout the business.

Equality of opportunity is encouraged irrespective of sex, marital status, colour, race, ethnic origin, nationality, religion, age or disability. The same opportunities are offered to disabled people as to all others in respect of recruitment and career advancement. Employees who become disabled will, wherever possible, be retained, rehabilitated and retrained.

Disclosure of information to auditor

The directors who held office at the date of approval of this report of the board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board

Matthew Turner
Director

21 July 2016

Statement of Directors' Responsibilities in respect of the Strategic report, Directors' report and financial statements

For the period 1 March 2015 to 27 February 2016

The directors are responsible for preparing the Strategic Report, Directors' 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

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

KPMG

Independent auditor's report to the members of Aurora Fashions Group Limited

We have audited the financial statements of Aurora Fashions Group Limited for the period ended 27 February 2016, set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 27 February 2016 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jonathan Russell (Senior Statutory Auditor)
for and on behalf of KPMG LLP

26 July 2016

Chartered Accountants
Arlington Business Park, Theale,
Reading, RG7 4SD

Aurora Fashions Group Limited
Consolidated profit and loss account and other comprehensive income

For the period 1 March 2015 to 27 February 2016

	Note	1 March 2015 to 27 February 2016 Total £m	4 March 2014 to 28 February 2015 Total £m
Turnover	2	545.6	577.0
Cost of sales		-230.9	-242.2
Gross profit		314.7	334.8
Distribution costs		-238.4	-260.5
Administrative expenses		-83.5	-91.4
Group operating loss	3	-7.2	-17.1
Costs of a fundamental reorganisation or restructuring	4	-6.1	-3.6
Interest receivable and similar income	7	8.1	7.9
Interest payable and similar charges	8	-10.7	-10.0
Loss on ordinary activities before taxation		-15.9	-22.8
Tax on loss on ordinary activities	9	0.3	0.4
Loss for the financial year		-15.6	-22.4
Other comprehensive income			
Foreign exchange difference on translation of foreign operations		-1.1	-2.7
Total comprehensive income for the year		-16.7	-25.1

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 29 also form part of these financial statements.

Aurora Fashions Group Limited
Consolidated balance sheet

As at 27 February 2016

	Note	27 February 2016 £m	28 February 2015 £m
Fixed assets			
Goodwill		23.5	25.3
Negative goodwill		-13.1	-14.1
Net goodwill	10	10.4	11.2
Tangible fixed assets	11	31.2	28.6
		41.6	39.8
Current assets			
Stocks	13	61.1	66.3
Debtors	14	60.5	60.2
Cash at bank and in hand	15	39.7	28.0
		161.3	154.5
Creditors : amounts falling due within one year	16	-198.9	-179.8
Net current liabilities		-37.6	-25.3
Total assets less current liabilities		4.0	14.5
Creditors : amounts falling due after more than one year	17	-120.9	-114.9
Net liabilities		-116.9	-100.4
Capital and reserves			
Called up share capital	21	-	-
Other reserves	22	-77.7	-75.9
Profit and loss account	22	-39.2	-24.5
Shareholder's deficit		-116.9	-100.4

The notes on pages 14 to 29 also form part of these financial statements.

These financial statements were approved by the board of directors on 21 July 2016 and signed on its behalf by:

Matthew Turner
Director

Company registered number: 7410878 (England and Wales)

Aurora Fashions Group Limited
Company balance sheet

As at 27 February 2016

	Notes	27 February 2016 £m	28 February 2015 £m
Fixed assets			
Investments	12	-	-
Net assets		-	-
Capital and reserves			
Called up share capital	21	-	-
Profit and loss account	22	-	-
Shareholder's funds		-	-

The notes on pages 14 to 29 also form part of these financial statements.

These financial statements were approved by the board of directors on 21 July 2016 and signed on its behalf by:

Matthew Turner
Director

Company registered number: 7410878 (England and Wales)

Aurora Fashions Group Limited
Consolidated statement of changes in equity

For the period 1 March 2015 to 27 February 2016

	Note	Called up share capital £m	Other reserves £m	Profit and loss account £m	Total equity £m
Balance at 4 March 2014	29	-	-78.4	0.6	-77.8
Loss for the period	29	-	-	-22.4	-22.4
Other comprehensive income		-	-	-2.7	-2.7
Capital contribution		-	2.5	-	2.5
Balance at 28 February 2015		-	-75.9	-24.5	-100.4

	Note	Called up share capital £m	Other reserves £m	Profit and loss account £m	Total equity £m
Balance at 1 March 2015	29	-	-75.9	-24.5	-100.4
Loss for the period		-	-	-15.6	-15.6
Other comprehensive income		-	-	-1.1	-1.1
Consolidation adjustment arising on share issue	22	-	-1.8	2.0	0.2
Balance at 27 February 2016		-	-77.7	-39.2	-116.9

The notes on pages 14 to 29 also form part of these financial statements.

Aurora Fashions Group Limited
Company statement of changes in equity

For the period 1 March 2015 to 27 February 2016

	Note	Called up share capital £m	Profit and loss account £m	Total equity £m
Balance at 4 March 2014		-	-	-
Loss for the period		-	-	-
Balance at 28 February 2015		-	-	-

	Called up share capital £m	Profit and loss account £m	Total equity £m
Balance at 1 March 2015	-	-	-
Loss for the period	-	-	-
Balance at 27 February 2016	-	-	-

The notes on pages 14 to 29 also form part of these financial statements.

Aurora Fashions Group Limited
Consolidated cash flow statement

For the period 1 March 2015 to 27 February 2016

	Note	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Cash flows from operating activities			
Loss for the year		-15.6	-22.4
Adjustments for:			
Depreciation, amortisation and impairment		11.3	22.2
Interest receivable and similar income		-8.1	-7.9
Interest payable and similar charges		10.7	10.0
Loss on disposal of tangible fixed assets		1.0	0.4
Taxation		-0.3	-0.4
		-1.0	1.9
Increase in trade and other debtors		-0.2	-3.1
Decrease in stocks		5.2	2.3
Increase/(decrease) in trade and other creditors		8.0	-14.7
		12.0	-13.6
Tax received/(paid)		0.1	-0.2
Net cash from operating activities		12.1	-13.8
Cash flows from investing activities			
Purchase of tangible fixed assets		-13.9	-13.7
Proceeds from sale of investments		-	-1.0
Net cash from investing activities		-13.9	-14.7
Cash flows from financing activities			
Interest paid		-0.7	-0.4
Issue of ordinary share capital		0.2	2.5
Net cash from financing activities		-0.5	2.1
Net decrease in cash and cash equivalents		-2.3	-26.4
Cash and cash equivalents at the start of the period		-27.6	-1.2
Cash and cash equivalents at the end of the period	15	-29.9	-27.6

Aurora Fashions Group Limited
Notes forming part of the financial statements

1. Accounting policies

Aurora Fashions Group Limited (the "Company") (Co No 7410878) is a company limited by shares and incorporated and domiciled in the UK, and is part of the Aurora group of companies (the "Aurora Group").

1.1 Basis of Preparation - Accounting Convention

The Group and individual financial statements of Aurora Fashions Group Limited have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £0.1m unless otherwise stated.

An explanation of how the transition to FRS 102 from old UK GAAP has affected the financial position and financial performance of the Group is provided in note 29. The Company has made no measurement or recognition adjustments.

FRS 102 grants grants certain first-time adoption exemptions for the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

• Business combinations - business combinations that took place prior to transition date have not been restated.

• Lease Incentives - for leases commenced before transition date the Group and Company continued to account for lease incentives under previous UK GAAP.

1.2 Compliance with accounting standards

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. the following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

• The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
• No separate parent company Cash Flow Statement with related notes is included; and
• Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting uder old UK GAAP for derecognition of financial assets and liabilities before the date of transition, or accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.17.

1.3 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: financial instruments classified at fair value through the profit and loss.

1. Accounting policies (continued)

1.4 Basis of preparation - going concern

Aurora Fashions Group Limited is the holding company for the Aurora group of companies (the "Aurora Group"). Following a Group reconstruction and amendment to the Senior facilities agreement effected 2 October 2015 Kaupthing Bank hf's holding of shares in Aurora Fashions Group Limited comprises 100% of all share capital by nominal value and 100% of the voting rights across all share capital. At 2 October 2015 in a share for share exchange Kaupthing Bank hf transferred its shares in Karen Millen Group Limited to Aurora Fashions Group Limited who in turn transferred the shares to Aurora Fashions Holdings Limited and in turn to Aurora Fashions Finance Limited.

The Aurora Group made a loss for the year of -£15.6 million (2015: -£22.4 million) and had net current liabilities of -£37.6 million (2015: net current liabilities of £-25.3 million) and net liabilities of -£116.9 million (2015: -£100.4 million).

Notwithstanding this, the directors have prepared the financial statements on a going concern basis for the reasons set out below:

Following the Group reconstruction and amendment agreement effected 2 October 2015, the Aurora Group 'banking subgroups' have secured facilities, which are now repayable in part in October 2019, with the balance on the termination date October 2020. The facilities are subject to certain financial and other covenant requirements. The treasury management function is now undertaken on an individual subsidiary/banking group level. Various companies in the 'banking subgroups' only have granted fixed and floating charges over its sister Group's assets and undertakings, under a debenture granted to secure the banking facilities.

The historic facilities between Karen Millen Group Limited and Kaupthing Bank hf have been novated to Aurora Fashions Finance Limited, and so Aurora Fashions Finance Limited is now the only direct borrower from Kaupthing Bank hf under this facility. The agreement between Aurora Fashions Finance Limited and Kaupthing Bank hf shall continue in effect following an amendment letter executed in July 2016 which gives agreement to extend the termination date to 30th June 2018 in respect of each facility. In turn, the standstill period referred to in the main SFA is also extended and shall end on 30th June 2018. The result is the existing lender having agreed to forebear any potential breach, misrepresentation or default in respect of the existing facility commencing on the restructuring date 2 October 2015 to the cessation date of 30th June 2018.

The directors have prepared projected cash flows for the period ending approximately 15 months from the approval of these financial statements (the "Projections"). The Projections are based on certain assumptions and show that the Aurora Group is capable of operating within the facilities currently available and complying with the covenant requirements for the full term covered by the Projections.

The directors of Aurora Fashions Group Limited have tested the impact of variations from the Projections by assessing the adequacy of the Aurora Group's funds, under a combination of different scenarios constructed to reflect reasonably possible downside risks to the assumptions contained within the Projections. The directors recognise that in the current economic environment, the main risks relate to the achievability of the Aurora Group's forecast sales and margins and the timing of cash flows going forward. In such downside scenarios, the ability to continue to operate would be dependent on maintaining compliance with the financial covenants by implementing various cost saving initiatives within the timescales required. The directors consider that, in all reasonable downside scenarios, there are cost saving measures available to the Aurora Group to implement which would avoid breaching the terms of any financial covenant.

The going concern assessment performed by the directors of the Aurora Group therefore also depends on the going concern assessment performed by the directors of the respective sub groups, Oasis and Warehouse, Coast and Karen Millen. Accordingly, the directors have satisfied themselves with the going concern assessment performed by the directors of the respective sub groups. The directors, having made reasonable enquiries, consider that the Aurora Fashions Group has sufficient facilities in order to meet its projected obligations as they fall due.

Given the facts and circumstances described above and after making enquiries, the directors have a reasonable expectation that the Company and the Aurora Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1. Accounting policies (continued)

1.5 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves. Profit and loss accounts of such undertakings are consolidated at the rate of exchange ruling at the date of the underlying transactions.

1.6 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 27 February 2016.

On the 2 October 2015, the Aurora Group undertook a Group reconstruction that saw the Karen Millen Group of companies form part of the Aurora Group of companies effected by a share for share exchange. The Karen Millen sub group's immediate parent is Aurora Fashions Finance Limited.

Merger accounting has been applied to the financial statements of the Aurora Group following the restructure. In order for the financial statements to present a true and fair view of the Aurora Group, the results are presented as though the Karen Millen sub group has always existed within the Aurora Group. The acquisition method of accounting has been adopted for other transactions. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

1.7 Financial Instruments

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.8 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1. Accounting policies (continued)

1.9 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)
Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- Investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment

1.10 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life on a straight line basis, as follows:

Leasehold improvements	Over period of lease
Fixtures and fittings	4-10 years
Computer hardware and software	3-5 years
Motor vehicles	4 years

1.11 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 4 March 2014. In respect of acquisitions prior to 4 March 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP.

1.12 Intangible fixed assets, goodwill and amortisation

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds fair value of such net assets.

At the date of transition to FRS 102, the Groups goodwill had a remaining useful economic life of 15 years. There have been no events which affect this estimate at the date of transition to FRS 102, and as such the Directors consider it appropriate to continue to amortise the goodwill over this period on a straight-line basis as it reflects management's best estimate of it's useful economic life. Goodwill has no residual value. In support of the continuing useful economic life, factors considered are the nature of the business, product lifecycle and overall industry sector performance and projections. Net present value of future cash inflows are measured at respective entity level, key assumptions are based on historical trends and future market expectations.

The Group performs an annual impairment review of the Goodwill, and if it considers that the carrying amount exceeds the recoverable amount then the difference will be recognised as an impairment loss through the profit and loss account.

For purchased goodwill arising on acquisitions after the date of transition to FRS 102, goodwill will be capitalised and amortised through the profit and loss account over a period of 10 years unless the directors consider it has a materially different useful life.

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

1.13 Investments

Investments are included at cost less impairment.

1.14 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on normal levels of activity and where appropriate, the cost of transportation and conversion to current location and condition. Net realisable value comprises the actual or estimated selling price less all further costs to completion.

1.15 Impairments

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment is recognised when the carrying amount of an investment, fixed asset or goodwill exceeds the recoverable amount. The recoverable amount of the asset is the higher of net realisable value or value in use. To the extent that the carrying amount exceeds the recoverable amount, the difference will be recognised as an impairment loss through the profit and loss account.

In respect of Tangible Fixed Assets held at retail locations, management use the concept of payback period, defined as net book value divided by EBITDA, to help identify any indicators of impairment. Where such an indicator exists, an assessment of the retail location's prospects is performed based on budgeted data and facts and circumstances specific to that location. Retail locations where management do not expect a sufficient improvement in performance, or where there exists a plan to close the store, the assets assigned to that store are impaired in full where management deem that the recoverable amount is zero.

Where an indicator of impairment exists in respect of Goodwill or Investments, the value in use is assessed by discounting the expected future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. Management assess that future cash flows approximate to the EBITDA generated by the assets that gave rise to the goodwill, or to the EBITDA generated by the subsidiary undertakings in the case of Investments.

1. Accounting policies (continued)

1.16 Employee Benefits

The company provides a range of benefits to employees including paid holiday arrangements, product discount facilities, and private health insurance, amongst others.

The company provides access to a stakeholder pension for all UK employees. In addition, contributions are made to specific employees' personal pension plans. In accordance with government legislation, in October 2013 all eligible employees were auto-enrolled into a qualifying pension scheme.

1.17 Accounting estimates and judgements

The Group and company estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting estimates believed to require the most difficult, subjective or complex judgements and which are the most critical to the reporting of results and financial positions are as follows:
- carrying value of assets relating to goodwill
- carrying value of deferred tax asset

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated. The recoverable amount of goodwill has been determined based on the fair value of net assets acquired and net present value of future cash inflows, the calculation of which requires the use of estimates.

Management review annually the recognition of any deferred tax asset to the extent that they are regarded as recoverable, on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.18 Provisions

A provision is recognised where the group has a legal or constructive obligation as a result of a past event and it is probable that the outflow of economic benefits will be required to settle the obligation.

1.19 Turnover

Turnover is measured at fair value and represents the net value of goods sold, services provided or royalties received excluding value added tax, delivered to third party customers in the accounting period. The company operates retail shops and ecommerce sites for the sale of a range of own branded products. Sales of goods are recognised upon sale to the customer, which is considered the point of delivery. Retail sales are usually by cash or payment card. Goods are deemed to have been delivered to customers when the customer has access to the significant benefits inherent in the goods and the exposure to the risks inherent in these benefits and the time period for rejection has elapsed.

1.20 Expenses

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable
Interest payable and similar charges include interest payable, finance charges and net foreign exchange losses that are recognised in the profit and loss account.
Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.
Interest income and interest payable are recognised in profit and loss as they accrue, using the effective interest method.

1.21 Tax

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. *Deferred tax is measured at the tax rate* that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or tax.
Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Turnover

Turnover: Continuing operations by business activity	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Retailing	465.0	481.1
Overseas franchising	49.2	66.7
Licensing	0.7	0.9
Wholesaling	15.6	16.5
Services	15.1	11.8
	545.6	577.0

Turnover: Continuing operations by geographic region	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
United Kingdom	381.7	384.0
Ireland	31.4	37.3
Rest of Europe	56.3	80.7
Middle and Far East	45.1	43.1
Australasia	9.7	12.1
USA	16.3	15.3
South America	3.4	3.7
Rest of World	1.7	0.8
Total turnover	545.6	577.0

Turnover by country of destination is not materially different from turnover by country of operation.

3. Group operating loss

Group operating loss is stated after charging /(crediting):

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Depreciation of tangible fixed assets	10.4	13.3
Impairment charge on tangible fixed assets	0.8	8.2
Impairment reversal on tangible fixed assets	-0.4	-
Loss on disposal of tangible fixed assets	1.0	0.4
Amortisation of goodwill	0.8	0.7
Operating lease rentals - property	52.2	56.8

4. Expenses & Auditor Remuneration

Included in the profit of the Group are the following:

Costs of a fundamental reorganisation or restructuring

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Professional fees related to legal claim	0.5	-
Other reorganisation and restructuring costs	5.6	3.6
Costs of a fundamental reorganisation or restructuring	6.1	3.6

Included within administration and distribution costs are additional reorganisation or restructuring costs of £nil (2015: £7.4 million) which can be broken down as follows:

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Costs of examinership process	-	0.2
Store impairments	-	6.4
Professional fees related to legal claim	-	0.6
Other reorganisation and restructuring costs	-	0.2
	-	7.4

Included within cost of sales in the prior period were exceptional costs relating to the reassessment of net realisable value for old season stocks totalling £4.6 million.

Auditor's remuneration

The auditing of the accounts of all Aurora Group entities
In the current and previous periods, the remuneration payable in relation to audit services for the Aurora Group was £0.3 million (2015: £0.2 million), including £15,899 (2015: £13,850) specifically relating to the Company.

The auditing of turnover certificates
In the current and previous periods, the remuneration payable in relation to the auditing of turnover certificates for the Aurora Group was £15,500 (2015: £12,500).

Non audit related assurance services
In the current and previous periods, the remuneration payable in relation to non audit related assurance services for the Aurora Group was £9,000 (2015: £9,000).

Tax advisory services
In the current and previous periods, the remuneration payable in relation to tax advisory services for the Aurora Group was £0.2 million (2015: £0.1 million).

5. Staff numbers and cost

The average number of persons employed by the Group during the period was:

	1 March 2015 to 27 February 2016 Number	4 March 2014 to 28 February 2015 Number
Retail	6,016	6,598
Services	386	511
	6,402	7,109

The aggregate payroll costs of these persons were as follows:

	£m	£m
Wages and salaries	87.1	99.0
Social security costs	7.6	8.6
Pensions costs (note 20)	0.8	1.0
	95.5	108.6

6. Remuneration of directors

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Directors' remuneration	0.6	2.2

The remuneration of the highest paid director was £0.5m (2015: £2.1m).

7. Interest receivable and similar income

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Unrealised foreign exchange gain	2.9	-
Net gain on forward currency contracts measured at fair value	5.2	7.9
	8.1	7.9

8. Interest payable and similar charges

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Interest payable on bank loans and overdrafts	7.9	6.9
Unwinding of discount on subordinated debt	2.1	2.0
Bank charges	0.7	0.8
Unrealised foreign exchange loss	-	0.3
	10.7	10.0

9. Taxation

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
UK corporation tax		
Current tax	0.1	0.1
Adjustments in respect of prior years	-0.3	-
Total current tax	-0.2	0.1
Deferred tax		
Origination and reversal of timing differences	-0.1	0.4
Adjustments in respect of prior periods	-1.0	-0.9
Change in tax rate	1.0	-
Total deferred tax	-0.1	-0.5
Total tax on loss on ordinary activities	-0.3	-0.4

The total tax expense in the current and prior period was recognised in full through the profit and loss account.

Reconciliation of effective tax rate:

	1 March 2015 to 27 February 2016 £m	4 March 2014 to 28 February 2015 £m
Loss for the financial year	-15.6	-22.4
Total tax expense	0.3	0.3
Loss excluding taxation	-15.9	-22.8
Tax using the UK corporation tax rate of 20.08% (2015: 21.17%)	-3.1	-4.7
Expenses not deductible for tax	2.3	1.9
Income not assessable for tax	-0.9	-
Deferred tax not recognised	0.9	3.4
Adjustments in respect of prior years	-1.3	-0.8
Effect of differences in tax rates	1.9	-0.1
Total tax charge for the period	-0.3	-0.3

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

10. Intangible fixed assets

	Goodwill £m	Negative goodwill £m	Total £m
Cost			
At 1 March 2015 and 27 February 2016	38.9	-20.1	18.8
Amortisation			
At 1 March 2015	11.6	-6.0	5.6
Charge/(credit) for the period	1.8	-1.0	0.8
At 27 February 2016	13.4	-7.0	6.4
Net Book Value			
At 27 February 2016	23.5	-13.1	10.4
At 1 March 2015	25.3	-14.1	11.2

Amortisation
The amortisation is recognised in administrative expenses in the profit and loss account.

11. Tangible fixed assets

	Group				
	Short leasehold and improvements £m	Fixtures and fittings £m	Computer hardware and software £m	Motor vehicles £m	Total £m
Cost					
At 1 March 2015	8.0	119.9	18.1	0.1	146.1
Adjustment arising from changes in foreign currency exchange rates	0.4	3.7	0.1	-	4.2
Additions	0.4	8.5	4.9	-	13.8
Disposals	-0.3	-8.2	-0.2	-	-8.7
At 27 February 2016	8.5	123.9	22.9	0.1	155.4
Depreciation					
At 1 March 2015	5.1	100.1	12.2	0.1	117.5
Adjustment arising from changes in foreign currency exchange rates	0.3	3.3	0.1	-	3.7
Charge for the period	0.7	6.8	2.9	-	10.4
Impairment charge	-	0.8	-	-	0.8
Impairment reversals	-0.1	-0.3	-	-	-0.4
Disposals	-0.3	-7.3	-0.2	-	-7.8
At 27 February 2016	5.7	103.4	15.0	0.1	124.2
Net book value					
At 27 February 2016	2.8	20.5	7.9	-	31.2
At 1 March 2015	2.9	19.8	5.9	-	28.6

Impairment charges totalling £0.8m have been made in 34 stores. On the basis that the stores impaired are not expected to generate any significant future net positive cashflows, management consider the recoverable amount of these stores to be zero. Impairment charges are recognised in administrative expenses through the profit and loss account. In addition, impairment charges brought forward from the prior year totalling £0.4m have been reversed in 4 stores.

12. Fixed asset investments

	Company Subsidiary undertakings £m
Cost and net book value	
At 1 March 2015 and 27 February 2016	-

The Company's undertakings at the end of the period are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Directly owned:			
Aurora Fashions Holdings Limited	UK	Holding	Ordinary - 100%
Indirectly owned:			
Coast Holdco 1 Limited	UK	Holding	Ordinary - 100%
Coast Holdco 2 Limited	UK	Holding	Ordinary - 100%
Coast Debtco Limited	UK	Holding	Ordinary - 100%
Coast Holdings Limited	UK	Holding	Ordinary - 100%
Coast Fashions Spain SL	Spain	Retail	Ordinary - 100%
Coast Stores Ireland Limited	Ireland	Retail	Ordinary - 100%
Coast Retail Limited	UK	Property	Ordinary - 100%
Coast Fashions Limited	UK	Retail	Ordinary - 100%
Coast Fashions US Limited	UK	Retail	Ordinary - 100%
Coast Australia Pty Limited	Australia	Retail	Ordinary - 100%
Coast Fashions New Zealand Limited	New Zealand	Retail	Ordinary - 100%
Oasis and Warehouse Holdco 1 Limited	UK	Holding	Ordinary - 100%
Oasis and Warehouse Holdco 2 Limited	UK	Holding	Ordinary - 100%
Oasis and Warehouse Limited	UK	Holding	Ordinary - 100%
A Fashions Sweden AB	Sweden	Retail	Ordinary - 100%
Bastyan Fashions Limited	UK	Retail	Ordinary - 100%
Aurora Fashions Asia Limited	Hong Kong	Service	Ordinary - 100%
Aurora Fashions Services Limited	UK	Service	Ordinary - 100%
Warehouse Fashions Holdings Limited	UK	Holding	Ordinary - 100%
Warehouse Fashions Limited	UK	Retail	Ordinary - 100%
Warehouse Fashion Ireland Limited	Ireland	Retail	Ordinary - 100%
Warehouse Retails Limited	UK	Property	Ordinary - 100%
Warehouse Fashions US Limited	UK	Dormant	Ordinary - 100%
Oasis Fashions Holdings Limited	UK	Holding	Ordinary - 100%
Oasis Fashions Limited	UK	Retail	Ordinary - 100%
Oasis Fashions Ireland Limited	Ireland	Retail	Ordinary - 100%
Oasis Fashions Retail Limited	UK	Property	Ordinary - 100%
Oasis Fashions US Limited	UK	Dormant	Ordinary - 100%
Karen Millen Holdco 1 Limited	UK	Holding	Ordinary - 100%
Karen Millen Group Limited	UK	Holding	Ordinary - 100%
Karen Millen Holdings Limited	UK	Holding	Ordinary - 100%
HS 524 Limited	UK	Holding	Ordinary - 100%
Karen Millen Ireland Limited	Ireland	Retail	Ordinary - 100%
Karen Millen Sweden AB	Sweden	Retail	Ordinary - 100%
Mosaic Fashions US Limited	UK	Retail	Ordinary - 100%
Karen Millen Deutschland GmbH	Germany	Retail	Ordinary - 100%
Karen Millen Holland BV	Netherlands	Retail	Ordinary - 100%
Karen Millen France SARL	France	Retail	Ordinary - 100%
Karen Millen Spain SL	Spain	Retail	Ordinary - 100%
Karen Millen Norway AS	Norway	Retail	Ordinary - 100%
Karen Millen Hong Kong Limited	Hong Kong	Retail	Ordinary - 100%
Karen Millen (Shanghai) Commercial Co Ltd	China	Retail	Ordinary - 100%
Karen Millen Retail Limited	UK	Property	Ordinary - 100%
Karen Millen Fashions Limited	UK	Retail	Ordinary - 100%
Karen Millen Australia Pty Limited	Australia	Retail	Ordinary - 100%
Karen Millen New Zealand Limited	New Zealand	Retail	Ordinary - 100%
Karen Millen Belgium	Belgium	Retail	Ordinary - 100%
Aurora Fashions Finance Limited	UK	Holding	Ordinary - 100%
And Other Brands Limited	UK	Holding	Ordinary - 100%
Aurora Speciality Brands Limited	UK	Dormant	Ordinary - 100%
Anoushka G Limited	UK	Dormant	Ordinary - 100%

All the subsidiary companies listed above are included in these consolidated financial statements.

Warehouse Fashions US Limited, Oasis Fashions US Limited, Anoushka G Limited and Aurora Speciality Brands Limited are dormant subsidiary companies that are exempt from the requirements of Companies Act 2016 to file their individual accounts in respect of the year ended 27 February 2016.

13. Stocks and work in progress

	27 February 2016		28 February 2015	
	Group £m	Company £m	Group £m	Company £m
Raw materials and consumables	4.7	-	5.4	-
Finished goods and goods for resale	56.4	-	60.9	-
	61.1	-	66.3	-

In the opinion of the directors, there is no material difference between the replacement cost of stock and the amounts stated above.

Raw materials, consumables and finshed goods and goods for resale recognised as cost of sales in the year amounted to £230.9 million (2015: £242.2 million).

14. Debtors

	27 February 2016		28 February 2015	
	Group £m	Company £m	Group £m	Company £m
Trade debtors	31.0	-	35.9	-
Other debtors	0.4	-	0.9	-
Prepayments and accrued income	20.7	-	15.1	-
Deferred tax asset (note 19)	8.4	-	8.3	-
	60.5	-	60.2	-
Due within one year	60.5	-	60.2	-
Due after more than one year	-	-	-	-

15. Cash and cash equivalents

	27 February 2016		28 February 2015	
	Group £m	Company £m	Group £m	Company £m
Cash at bank and in hand	39.7	-	28.0	-
Overdrafts (note 18)	-69.6	-	-55.6	-
	-29.9	-	-27.6	-

Total cash at bank and in hand amounts to £39.7 million (2015 : £28.0 million). £2.2 million (2015 : £3.5 million) relates to monies held by third parties and is restricted in its use by the Group.

16. Creditors: amounts falling due within one year

	27 February 2016 Group £m	27 February 2016 Company £m	28 February 2015 Group £m	28 February 2015 Company £m
Bank loans and overdrafts (see note 18)	69.6	-	55.6	-
Subordinated debt (see note 18)	46.3	-	44.2	-
Trade creditors	30.8	-	35.0	-
Corporation taxes	3.0	-	3.3	
Other taxes and social security costs	5.2	-	4.6	-
Other creditors	8.3	-	5.9	-
Accruals and deferred income	35.7	-	31.2	-
	198.9	-	179.8	-

17. Creditors: amounts falling due after one year

	27 February 2016 Group £m	27 February 2016 Company £m	28 February 2015 Group £m	28 February 2015 Company £m
Bank loans and overdrafts (see note 18)	117.5	-	110.7	-
Accruals and deferred income	3.4	-	4.2	-
	120.9	-	114.9	-

Accruals and deferred income relates to incentives received on leases held by the Group.

18. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	27 February 2016 Group £m	27 February 2016 Company £m	28 February 2015 Group £m	28 February 2015 Company £m
Creditors falling due more than one year				
Secured bank loans	117.5	-	110.7	-

	27 February 2016 Group £m	27 February 2016 Company £m	28 February 2015 Group £m	28 February 2015 Company £m
Creditors falling due within less than one year				
Overdraft	69.6	-	55.6	-
Subordinated debt	46.3	-	44.2	-
	115.9	-	99.8	-

There is security between the banking sub groups, Oasis and Warehouse, Coast and Karen Millen and certain of their trading subsidiaries in favour of Aurora Fashions Finance Limited, in the form of fixed and floating charges over the undertakings and all property and assets. The net book value of assets are contained within the individual entities' statutory accounts.

Terms and debt repayment schedule:

	Interest rate	27 February 2016 Group £m	27 February 2016 Company £m	28 February 2015 Group £m	28 February 2015 Company £m
Overdraft	5%	8.6	-	-	-
Overdraft	LIBOR+5%	61.0	-	55.6	-
Facility A, repayable 30 June 2018	LIBOR+3.25%	14.9	-	14.2	-
Facility B, repayable 30 June 2018	LIBOR+3.50%	47.1	-	45.2	-
Facility C, repayable 30 June 2018	LIBOR+3.75%	53.5	-	51.3	-
Loan, repayable 4 September 2021	nil	2.0	-	-	-
Subordinated debt	nil	46.3	-	44.2	-
		233.4	-	210.5	-

As part of a Group reconstruction effected 2 October 2015, the external debt between the Karen Millen Group Limited and Kaupthing Bank hf was novated to Aurora Fashions Finance Limited. The termination date of this combined facility was then extended to 30 June 2017. An amendment letter executed in July 2016 further extended the termination date to 30 June 2018.

The subordinated debt of £46.3 million in the table above is repayable only in the event of the disposal, sale, listing or winding up of Karen Millen Group Limited or HS 524 Limited, both subsidiaries of the Group or, at the request of the lender, per a deed of amendment dated 28 February 2013, can be converted into ordinary redeemable shares, such shares having no voting or dividend rights. The face value of the subordinated debt is £56.0 million.

19. Deferred taxation

	27 February 2016		28 February 2015	
	Group	Company	Group	Company
	£m	£m	£m	£m
The deferred tax asset comprises:				
Accelerated capital allowances	8.3	-	5.3	-
Short-term timing differences	-	-	0.2	-
Unused tax losses	0.1	-	2.8	-
Deferred tax asset	8.4	-	8.3	-

	Group
	£m
Movement on deferred tax asset:	
At 1 March 2015	8.3
Profit and loss account	0.1
At 27 February 2016	8.4

The directors believe that continued recognition of the deferred tax asset is appropriate based on forecasts showing that sufficient profits will arise in the foreseeable future against which assets will be offset when crystallised.

	27 February 2016		28 February 2015	
	Group	Company	Group	Company
	£m	£m	£m	£m
Deferred tax asset not recognised:				
Accelerated capital allowances	3.8	-	3.2	-
Short term timing differences	0.2	-	0.6	-
Unutilised tax losses	7.2	-	6.0	-
	11.2	-	9.8	-

The deferred tax asset at 27 February 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

20. Employee benefits

The company provides a range of benefits to employees including paid holiday arrangements, product discount facilities, and private health insurance, amongst others.

During the period there were no advances to Directors.

Post-retirement benefits
In October 2013, in accordance with government legislation, all eligible employees were auto-enrolled into a state qualified pension scheme. In addition, contributions are made to specific employees' personal pension plans.

The total expense relating to these plans in the current year was £0.8m (2015: £1.0m).

21. Share capital

	Voting rights per share	27 February 2016 Group £m	27 February 2016 Company £m	28 February 2015 Group £m	28 February 2015 Company £m
Allotted, called up and fully paid:					
69,776 A Ordinary shares of £0.001 each	1 vote	-	-	-	-
72,624 B Ordinary shares of £0.001 each	no votes	-	-	-	-
		-	-	-	-

During the year the share capital was reclassified to simplify the shareholding of the Group.

Holders of A Ordinary shares have a right to dividends on a pro rata basis to the number of A shares held. Holders of B Ordinary shares have no right to dividends.

22. Reserves

Group	Other reserves £m	Profit and loss account £m
At 1 March 2015	-75.9	-24.5
Consolidation adjustment arising on share issue	-1.8	2.0
Differences in the net investment in foreign enterprises arising from changes in foreign currency exchange rates	-	-1.1
Loss after taxation for the financial period	-	-15.6
At 27 February 2016	-77.7	-39.2

As part of the Aurora Group re-constuction, the OWL Group underwent a capital reduction to eliminate it's distributable reserves deficit. On consolidation, other reserves of £1.8 million were created after eliminating the company's investments in its subsidiaries, along with the share capital and share premium of the subsidiaries.

Company	Profit and loss account £m
At 1 March 2015	-
Loss for the period	-
At 27 February 2016	-

23. Financial Instruments

The carrying amount of financial assets and liabilities include:

	27 February 2016 £m	28 February 2015 £m
Assets / (liabilities) measured at fair value through profit or loss		
Forward foreign exchange contracts	6.0	0.8
Subordinated debt	-46.3	-44.2
	-40.3	-43.4

The carrying values for all financial assets and financial liabilities carried at fair value are deemed to be equivalent to their fair value.

The fair value of forward foreign exchange contracts is based on their listed market price.

The fair value of subordinated debt is based on a discounted cash flow using the group's weighted average cost of debt and managements best estimate of the date of exit. The assumed date of exit used in these calculations is October 2020.

During the year, a net gain on forward foreign exchange contracts of £0.5 million (2015: £4.1 million) was recognised as income within cost of sales through profit or loss.

For financial liabilities the difference between the carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the obligation is £9.7 million (2015: £11.8 million).

24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group	27 February 2016 £m	28 February 2015 £m
Within one year	49.7	51.5
Between two and five years	113.0	139.0
Over five years	69.7	88.5
	232.4	279.0

During the year £52.2 million was recognised as an expense in the profit and loss account in respect of operating leases (2015: £56.8 million).

25. Guarantees and other commitments

Certain companies within the Aurora Fashions Group, The 'banking subgroups' are party to the terms of a Senior Facilities Agreement (the "SFA") with Aurora Fashions Finance Limited (AFFL), exclusively as a borrower, the borrowers are Oasis and Warehouse Limited, Coast Debtco Limited and Karen Millen Holdings Limited. Each banking subgroup/silo under the obligations of their SFA has a number of group companies party to the SFA as Guarantors, the values of which are disclosed within the respective company accounts. Such guarantee shall continue under the restructured bank loans. Under the terms of the cross guarantee, an event of default in the Company or certain other companies in the sub group would mean that the lender, AFFL, has the ability to call on any of the other companies within the respective banking sub groups to step in to fulfil the obligations of that borrower/guarantor. An event of default could include an entity becoming insolvent. It should be noted that the call under the guarantee is on demand, and as such the demand is at the discretion of AFFL in its capacity as sole Lender.

As of 2 October 2015 there is security between the banking sub groups, Oasis and Warehouse, Coast and Karen Millen and certain of their trading subsidiaries in favour of AFFL, in the form of fixed and floating charges over the undertakings and all property and assets. The net book value of assets are contained within the individual entities' statutory accounts.

26. Related parties

The Group has a related party relationship with its directors, with the undertakings which form the Aurora Group and with its ultimate parent company, Kaupthing Bank hf.

The loans and borrowings outstanding at the balance sheet date as detailed in note 18 are with Kaupthing Bank hf.

The Company has taken advantage of the exemption in Financial Reporting Standard FRS 102 33.1A Related Parties Transactions not to disclose transactions with fellow wholly owned subsidiary undertakings of the group headed by Aurora Fashions Group Limited.

Transactions with key management personnel
Total compensation of key management personnel in the year amounted to £2.5m (2015: £4.7m).

27. Immediate and ultimate parent company and parent undertaking of larger group

The immediate and ultimate parent company and ultimate controlling party is Kaupthing Bank hf., a company incorporated in Iceland.

28. Post balance sheet events

There are no post balance sheet events to report.

29. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 27 February 2016 and the comparative information presented in these financial statements for the period ended 28 February 2015.

Group
In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following table.

Reconciliation of profit and equity from old GAAP to FRS 102

	Loss for 4 March 2014 to 28 February 2015	Equity as at 28 February 2015	Equity as at 4 March 2014
	£m	£m	£m
Amount under old GAAP	-27.4	-112.9	-85.3
Adjustment posted to reflect the fair value of FX forward contracts held for use by the Aurora Group at the comparative balance sheet date.	7.9	0.8	-7.1
Adjustment posted to reflect the change of accounting treatment of lease incentives which are now to be spread over the length of the lease rather than to the break clause.	-0.1	-0.1	-
Adjustment to deferred tax in relation to the above adjustments which have been effected into the February 2015 balance sheet but will not be taxable until later periods.	-0.8	-	0.8
Adjustment made to reflect the fair value of subordinated debt.	-2.0	11.8	13.8
Amount under FRS 102	-22.4	-100.4	-77.8

Company
This transition did not affect the reported financial position as at 4 March 2014 (the transition date) or the financial position and performance for the period ended 28 February 2015 as previously reported in accordance with UK GAAP, the Company's old basis of accounting. Therefore no adjustments have been made to any comparative figures to that included in the 2015 published financial statements, and no reconciliation has been presented.