

N Brown Group plc

FULL YEAR RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 2 MARCH 2013

N Brown Group plc (LSE: BWNG), the online, catalogue and stores retailer, today announces its full year results for the 52 weeks ended 2 March 2013.

Highlights*

Total Group revenue	£784.7m	+6.0%
Operating profit	£102.2m	+3.1%
Profit before tax and fair value adjustments	£96.4m	+2.6%
Adjusted earnings per share	28.15p	-
Full year dividend	13.68p	+5.0%
E-commerce sales	£424m	+15%
Sales from USA operations	£8.4m	+75%
Sales from newly recruited customers		+24%
Gearing	42%	
Like-for-like sales for the 7 weeks ended 20 April 2013		+6.1%
Confident outlook for 2013		

*Highlights are on 52-week to 52-week comparative basis, excluding benefits from the 53rd week in FY2012

Andrew Higginson, N Brown Group Chairman, said:

"We have delivered a good set of results for the Group, and we have seen positive like-for-like growth in the period since year end. Sales online have reached 55%, and with over a quarter of these now being transacted on a mobile device, we expect this trend to continue. With our strategy of on-going investment the business remains set to continue to grow in the future."

Alan White, Chief Executive, added:

"We are pleased to announce significant progress in the business. Online sales have maintained their strong upward momentum, our customer base has strengthened significantly and we have made good progress in the USA and with our Simply Be/Jacamo concept stores. We have delivered strong revenue and profit results whilst making investments in these initiatives.

This is my last set of results as Chief Executive of N Brown. It is hard to believe that the business I joined in 1985 with sales of £42 million could have delivered these results today. I would like to personally thank everyone for their support, enthusiasm and dedication over the years and I offer Angela Spindler and Andrew Higginson my full support and best wishes to continue to realise the potential of the group."

-Ends-

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Chairman's Statement 2013

We are pleased to report that the group made good trading progress throughout last year and that this has continued into the new financial year. This is despite the continuing difficulties in the economy as a whole and for consumers and retailers in particular. We have achieved these positive results by maintaining a clear focus on improving the product, presentation, value and service to our customers. In addition we have invested heavily in our online systems, new customer recruitment, international expansion and concept stores which have the potential to be significant growth drivers in the medium term, although they reduce profits in the short term. The early signs from these activities look promising.

Financial Results

£m	52 wks		53 wks		52 wks	
	2013	2012	%	2012	%	
Revenue	784.7	753.2	+4.2	740.3	+6.0	
Operating profit	102.2	102.0	+0.2	99.1	+3.1	
Adjusted profit before taxation	95.1	95.6	-0.5	92.7	+2.6	
Adjusted earnings per share (p)	28.15	28.91	-2.6	28.16	-	

Total group revenue increased by 6.0% to £784.7m versus the 52 week comparative and by 5.5% on a like-for-like basis, excluding the non-comparable periods for newly opened stores. Having seen a reduction in the rate of gross margin in the first half of 1.6%, an equivalent increase in the second half resulted in an unchanged rate for the year of 53.0%.

Operating profit was up by 3.1% to £102.2m, after accounting for losses of £6.8m from the expanded customer recruitment programme, international trading and the Simply Be/Jacamo stores. Excluding these items core UK home shopping profit rose by 7.9% to £109.0m, despite the tough economic environment for consumers.

Profit before taxation was £96.4m (2012, £96.9m) but was up 2.6% to £95.1m after excluding the impact of the 53rd week last year and the fair value adjustments to financial instruments.

Adjusted earnings per share were 28.15p, almost identical to last year despite a slightly higher tax charge of 17.6% (2012, 16.4%). The board is proposing a final dividend of 8.23 pence per share, up 6.3% on last year, giving a total dividend for the year of 13.68 pence up by 5.0%, and covered 2.1 times.

Net borrowings at 2 March 2013 reduced to £188.7m (2012, £192.5m) despite the continuing higher level of capital expenditure of £25.0m, primarily for online and stores development.

Net finance costs increased from £6.4m to £7.1m, covered 14 times by operating profit. Gearing has fallen from 48% to 42% on net assets which have risen by 10.9% to £446.0m.

Trading Highlights

The results for the year show the benefit of a portfolio of brands and the breadth of our product range which has enabled us to allocate our marketing investment to those areas giving the best return. Consequently we have seen the fastest growth, 15%, from our younger brands, such as Simply Be, Jacamo and Fashion World, as it has been easier both to recruit new customers, predominantly online, and get higher sales from the existing customers. Conversely the brands targeted at the over 50's, such as JD Williams, Fifty Plus, Marisota and Julipa have exhibited slower growth, 1%, as these customers have continued to be cautious with their spending. However this group did increase revenue by 3% in the second half compared to flat sales in the first half.

The continued investment to make our websites match best practice has been rewarded with an increase of 15% in online revenue to £424m, which now represents 55% of home shopping revenue. The increase also reflects the cultural changes we are making in the business to have everyone thinking from a multi-channel perspective.

Revenue grew in all our major product categories. Ladieswear recovered from a first half decline to grow by 4% in the second half, and by 1% for the year as a whole. Footwear and menswear grew by 5% and 8% respectively, capitalising on our size and fit expertise. However the fastest growth came from the home and gift category where sales grew by 15% and now account for 30% of group revenue. The more aggressive pricing policy on key value indicator lines in home and gift drove sufficient incremental volume to cover the lower rate of gross margin and, coupled with extensions to the product ranges, especially online exclusives, resulted in an encouraging performance.

Our international expansion is focused on building a presence in the USA, where revenue rose by 75% to £8.4m. We continue to believe there is a major strategic opportunity for the group to win a share of the \$35 billion plus size ladieswear market in the USA, and we are building the marketing and operational capability to achieve this.

We traded from seven Simply Be stores in the UK, three of which had a Jacamo menswear section, and these dual fascia stores have been the most successful. We are now evaluating the potential for rolling out this format in other major UK cities, recognising that they help to build brand awareness and online penetration in addition to the revenue transacted in the store.

Current Trading and Outlook

Sales for the 7 weeks to 20 April 2013 are up by 6.3% on last year and by 6.1% on a like-for-like basis. The cold weather in this period has had a significant negative impact on the sales of summer clothing but we have seen good performances from menswear and home and gift which have more than offset this issue.

We started the new financial year with a stronger customer base than a year ago as a result of the increased investment in customer recruitment. We intend to maintain this higher

level of recruitment activity and continue to drive the proportion of our revenue transacted online through positive trading actions, whilst at the same time reducing the volume of catalogue mailings through our contact optimisation programme. The trading teams are being reorganised to give greater focus on the key brands and the product development required to deliver growth in market share. In addition we are looking to give our customers more choice by offering more options for payment, delivery and ways to contact us.

Dedicated websites for Marisota and Jacamo are being launched in the USA to complement Simply Be to deliver a more segmented offer and maintain high growth momentum, and Figleaves is also looking to boost sales there. We will identify possible new sites for UK store expansion in the autumn once we have fully evaluated the potential of this channel and developed the essential features for a roll-out.

There are also major projects underway to assess the requirements of our information technology systems and processes and the operational capacity to ensure we can manage our anticipated growth in the medium term.

Although we expect market conditions to remain challenging, based on the stronger customer file and the planned activities to drive further growth, the board remains confident in the outlook for the business. I would like to thank all stakeholders in the business for their contribution, and especially all of the staff for their hard work and dedication throughout the year.

Board Composition

My appointment to the board in July 2012 and accession to chairman in September 2012 was the start of a significant transformation of the board which will be completed during 2013. I succeeded Lord Alliance of Manchester CBE when he stepped down to the role of non-executive director after over 40 years as chairman of the group. I have very much appreciated his wise counsel over the last few months.

Angela Spindler, currently the chief executive of The Original Factory Shop, will join N Brown Group as chief executive on 1 July 2013. She has had extensive retail and consumer experience at Coca Cola, Pedigree Petfoods, Asda and Debenhams. Angela will take over from our current chief executive, Alan White, who will retire to a plural career after 11 successful years as chief executive and after an appropriate handover period to effect a smooth transition.

Nigel Alliance OBE retired in December 2012 having been a director of the board since 1969 and Lord Stone of Blackheath stepped down after 10 years service on the board. We thank them both for an outstanding contribution.

We have now announced three new non-executive directors who will enhance the diversity of the board as well as ensure we comply with best practice in corporate governance. Ron McMillan was deputy chairman of PricewaterhouseCoopers in the Middle East and will become chair of audit later this year and also our senior independent director. Fiona Laird, the senior vice president of human resources at Unilever PLC, will chair the remuneration committee. Simon Patterson, managing director at Silver Lake, will chair the nominations com-

mittee and brings extensive knowledge of the global technology industry including digital media and e-commerce.

There has been significant change at the Board in the last few months. I wish to record my thanks and congratulations to the departing directors, particularly Alan White as CEO, who have delivered strong growth and returns for investors over the years. As the business continues its migration online, they have left strong foundations and I am confident that the new board has the right blend of skills and experience to build on those foundations and deliver growth in the future.

Andrew Higginson
23 April 2013

Chief Executive's Review 2013

The group has made good progress this year with the fastest rate of revenue growth since 2009. This has been achieved by investing in high levels of new customer recruitment, improving our product and promotional offers, especially online, and making progress with our key strategic initiatives.

The 53rd week last year delivered revenue of £12.9m and operating profit of £2.9m. The commentary below is all based on a comparison of 2012/13 with the 52 week version of 2011/12.

Revenue

Revenue growth has been delivered in our core home shopping business supplemented by increased contributions from our international and stores operations. For the 52 weeks ended 2 March 2013 group revenue was £784.7m, up by 6.0% in total and by 5.5% on a like-for-like basis. The growth in revenue accelerated as we progressed throughout the year, culminating in a strong second half which was up by 7.1% on a like-for-like basis.

Customer Groups

The key objective of our marketing activity this year was to restore growth to the customer file, and this has been successfully achieved. Sales from new customers increased by 24% during the year benefitting from an extra £6m of marketing investment in media costs compared with the previous year. The additional investment has been spent with the online search engines on "pay per click" recruits, which is now our single largest channel of recruitment, and for television airtime for direct response advertisements. Inevitably these methods of recruitment bring in younger than average customers.

In addition to the increased sales from new customers we also saw a 1% increase in orders from our established database and a 2% increase in the amount spent by each customer. We entered the new financial year with an active database of 6.4m customers, who are predominantly female with an average age of 57. The number of those customers who had placed an order in the last year was up by 6%, a key indicator of future growth.

Target Age	Revenue £m	% Change
30 – 50	305	15
Over 50	480	1
	785	6

Under 50 Customer Group

The brands in this customer segment continue to be the main contributors to the group's overall revenue growth.

Simply Be is the largest brand in this segment with sales in excess of £122m and growth of 14% across all channels and geographies. It has the most fashion-conscious customers and our expertise is in recognising the latest trends and designing our clothing range to look

good on customers whether they are size 14 or size 32. On average Simply Be's customers are visiting the website every few days looking for new lines.

Jacamo is targeted at the brand-conscious thirty-something male who wants the convenience of online shopping and branded clothing in their size, and identifies with the fun-loving image of the brand, exemplified by Freddie Flintoff as our brand ambassador. This continues to be our fastest growing brand with sales up by 36%.

Fashion World's customers, who are primarily from lower socio-demographic groups, have had a tough time in the last few years but a revamp of the product range, a more contemporary feel to the catalogue and website and the use of celebrities such as Claire Sweeney and Claire Richards to promote the brand, have resulted in revenue growth of over 4%.

Figleaves, the leading online lingerie brand, has seen strong growth in profitability, managing its cost base extremely well on revenues which were slightly up.

50 Plus Customer Group

The 50 plus customer group has had a difficult time during the recession but there were signs of improvement in the second half, when revenue grew by 3%, resulting in a positive sales outcome for the year as a whole.

The strongest growth in this segment came from House of Bath, which sells an eclectic range of items for the home and garden, where revenue grew by 34%, built on very successful recruitment campaigns. There was also strong growth from Marisota which targets customers in their early 50's with a catalogue and website offering fitting solutions for clothing and footwear. The menswear brands, High & Mighty and Premier Man, saw modest growth. Our largest brand, JD Williams and its associated titles, which supply a wide range of products to customers who are typically retired, saw revenue fall by 5%, partly due to reductions in the recruitment budget in previous seasons. Julipa, focussed on our most traditional customers, had flat sales year on year.

Product Groups

Revenue	£m	% of Total	% Change
Ladieswear	362	46	1
Footwear	87	11	5
Menswear	100	13	8
Home & Gift	236	30	15
Total	785	100	6

In light of the lacklustre economy and the adverse weather conditions throughout most of last year it is pleasing that we have managed to grow revenue in all four product categories.

Ladieswear revenue grew by 1%. The global supply chain has settled down after the turbulent conditions in 2011 and this has helped us to have better balanced stock levels, resulting in higher full margin sales but fewer discounted sales. The impact of a very wet summer followed by a cold start to 2013 depressed sales but in between we had strong sales from our

autumn ranges. We exploited our online capabilities to create fashion stories and capsule ranges to reflect the latest trends. In contrast the sales of occasionwear and higher priced garments were disappointing.

Footwear sales were up by 5% with the strongest growth from Viva La Diva, our online footwear portal, and men's footwear. The weather patterns resulted in strong boot sales but weak sandal sales.

Menswear continued its strong growth as it has done for each of the last 5 years, and broke through the £100m barrier for the first time. The use of Freddie Flintoff as a celebrity ambassador for Jacamo, including strong sales from his own range, contributed to the growth of younger menswear.

Home and gift sales had an excellent year with growth of 15%. Our strategy across all product groups was to sharpen our price points on easily comparable lines and this had the greatest effect on the home and gift revenue. In addition we have been using our supplier integration portal to significantly increase the number of lines available online with the product being despatched directly from the supplier. The aggregate impact of these changes was to drive much higher volumes at a lower rate of gross margin with a net benefit in terms of cash contribution. Within this category there were some excellent performances from electrical, furniture, homewares, toys and gifts.

Multi-channel

Online sales have increased as a proportion of our home shopping revenues by five percentage points or more for each of the last 8 years. Last year the proportion rose from 50% to 55% with online revenue rising by 15% to £424m, maintaining our position in the top division of internet retailers. The growth of online purchasing is partly down to global acceptance of digital media by consumers and we aim to accelerate this trend with our customers as it delivers increased revenue and lower operating costs. To this end we now recruit most customers through online campaigns, sponsoring approximately five million key words and phrases through online search engines coupled with sophisticated optimisation techniques. We also link our direct response television campaigns and our newspaper advertisements into our websites. We continue to expand the number of internet exclusive product lines and last year had 84,000 stock options which were never featured in a catalogue generating an incremental £42m of revenue. Last year saw an explosion in mobile access to the internet through the burgeoning sales of smartphones and tablet computers. We quickly adapted all our websites to be "mobile friendly" and by the year end 26% of all online sessions were being accessed from mobile devices, which accounted for 23% of the value of sales transacted. There is much evidence that the older consumer is adapting to tablet computers at a fast rate which will help to accelerate the switch from paper to digital media in the coming years.

The ideal scenario for the customer is to be able to switch seamlessly between channels without noticing any variation in the branding or service offer. As an example we saw the number of inbound calls to our contact centre decline by 9% but by offering the same affinity products to our telephone orderers as we do to our online customers we increased our add-on sales by £15m.

To be truly multi-channel requires a store portfolio and we are testing this concept for our younger brands in targeted locations. During the year we opened a further five Simply Be stores and in addition we utilised some of the space in three of the stores for the Jacamo menswear range, which has done exceptionally well. Total revenue from the Simply Be/Jacamo stores was £4.6m with start-up losses of £2.2m. We are in the process of evaluating the incrementality of these sales, the positive halo effect on online sales and the projected return on capital achievable. Assuming this evaluation is positive we will look to open a limited number of stores in high footfall locations.

Our High & Mighty stores had revenue of over £9m, up by 5% despite tough trading conditions in many of the locations where they are trading. However more promotional activity resulted in a loss of £0.7m compared with our aspiration to reach breakeven.

International

Simply Be and Figleaves allow international orders to be placed on their websites from many parts of the world, but our overseas marketing is focussed on USA, Ireland and Germany. International sales amounted to £30.2m with losses of £1.9m (2012, £1.5m). Simply Be's sales in the USA grew by 75% to £8.4m with an acceleration in the second half. We are still testing a variety of marketing and recruitment techniques, and have found that the Marisota product range, which is slightly less fashionable than Simply Be, yields better results from direct mail recruitment. Consequently we will launch a dedicated Marisota website in April 2013 as well as one for Jacamo menswear.

Our marketing expenditure in Germany has been significantly reduced and focussed wholly online. Whilst this has reduced revenue by 38% to £2.2m it has reduced losses and gives an expectation of breakeven next year.

Oxendales is our primary brand in Ireland, where we have traded for many years. The continuing economic woes have seen a decline in both sales and profits since the recession hit, and last year revenues fell a further 15% to £14.2m and operating profit was down 49% to £1.7m.

Figleaves derives 22% of its total revenue of £24.7m from overseas, with the USA the main market, and has ambitions to grow sales further in this region.

Gross Margin and Credit

The rate of gross margin was level with the previous year at 53.0%. However this masks a 1.6% increase in the rate of gross margin in the second half to offset an equivalent reduction in the first half. There have been three key features which shaped the gross margin. The "Amazing Value" lines throughout the various product categories successfully traded gross margin rate for volume growth, but this was more than offset by a significant reduction in the level of product and marketing discounts compared with the high level in the second half of 2011/12 when we had excess levels of stock to clear. The ratio of bad debts to sales rose by 0.4% to 8.1% due to the high level of customer recruitment. The underlying level of

arrears and write-offs was level with the prior year and the increase in the ratio is wholly due to this customer mix.

The services revenue associated with our credit accounts rose by 6.1% to £226.9m, 29% of our total revenue.

Overheads

A 5% increase in average item values helped contain the rise in distribution costs to 3.9%. To build up the customer database we invested an extra £6m in recruitment campaigns, offset by a £2.5m reduction in catalogue costs through our contact optimisation programme. In addition we had invested further to support our strategic initiatives to drive international revenue and develop the stores channel.

Customer Service

We are continually looking to improve the customer service experience. During the last twelve months we have made more of the product range available for next day delivery and moved the cut-off time from 2pm to 6pm. We have improved the online self-service "My Account" facility and the automated service emails are keeping the customers' better informed and generating revenue. The end result has been a reduction in the number of enquiries and claims from our customers, keeping us in the top quartile for service amongst our peer group.

Current Trading and Outlook

We have made good progress with our strategic plan in the last year but there are still many opportunities to develop in the new financial year. The trading processes and organisation have been revamped to recognise the pre-eminence of the online channel and also to strengthen the focus on our key brands, both from product development and marketing perspectives. We will offer more choice in payment options to attract those customers who do not wish to open a credit account. The transition from paper contacts to online communication will be managed carefully to drive sales and reduce costs. The higher level of customer recruitment investment will be maintained. Strong revenue increases are anticipated from our operations in the United States, and from our Simply Be/Jacamo stores, and we expect lower levels of operating losses as these operations develop.

Revenue in the first 7 weeks of the new financial year is up by 6.3% and by 6.1% on a like-for-like basis. The strength of our customer base is the most positive influence in delivering this rate of growth which has been achieved despite the cold spell in March which has significantly impacted the sales of ladies summer clothing. However sales of footwear and menswear have been positive and home and gift has continued its strong performance. This product mix has impacted the achieved rate of gross margin so far but we hope that we will enjoy better weather than the wet summer of 2012 to redress this issue.

Change of Chief Executive

This is my last Chief Executive's report before starting to hand over to Angela Spindler from 1 July 2013. I have had a hugely enjoyable career with N Brown Group in two spells totalling 25 years, the last 11 years as chief executive, and I must especially thank David Alliance and Jim Martin for both these opportunities. It is almost impossible to believe that the business I joined with sales of £42m in 1985 could deliver the results we have announced today. The talent, enthusiasm and dedication of everyone in the group has delivered this long-term transformation and I sincerely thank everyone for their contribution.

The business is in good shape today with a strong management team and I firmly believe that the group has an excellent strategic position with an exciting future ahead of it. I offer Angela my full support and best wishes to realise this potential and I am sure the group will continue to prosper under Andrew Higginson's and Angela's guidance.

Unaudited condensed consolidated income statement

	Note	52 weeks to 02-Mar-13 £m	53 weeks to 03-Mar-12 £m
Revenue	4	<u>784.7</u>	<u>753.2</u>
Operating profit	4	102.2	102.0
Investment income		3.9	4.3
Finance costs		(11.0)	(10.7)
Profit before taxation and fair value adjustments to financial instruments		<u>95.1</u>	<u>95.6</u>
Fair value adjustments to financial instruments	5	<u>1.3</u>	<u>1.3</u>
Profit before taxation		96.4	96.9
Taxation	6	(17.0)	(15.9)
Profit attributable to equity holders of the parent		<u>79.4</u>	<u>81.0</u>
Adjusted earnings per share	7		
Basic		28.15 p	28.91 p
Diluted		28.09 p	28.88 p
Earnings per share	7		
Basic		28.51 p	29.28 p
Diluted		28.45 p	29.24 p

Unaudited condensed consolidated statement of comprehensive income

	52 weeks to 02-Mar-13 £m	53 weeks to 03-Mar-12 £m
Profit for the period	79.4	81.0
Items that will not be reclassified subsequently to profit or loss		
Actuarial losses on defined benefit pension schemes	(4.0)	(6.2)
Tax relating to items not reclassified	1.0	1.6
	<u>(3.0)</u>	<u>(4.6)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	0.4	(0.2)
Total comprehensive income for the period attributable to equity holders of the parent	<u>76.8</u>	<u>76.2</u>

Unaudited condensed consolidated balance sheet

	02-Mar-13 £m	03-Mar-12 £m
Non-current assets		
Intangible assets	69.6	62.8
Property, plant & equipment	66.4	67.2
Deferred tax assets	3.4	1.9
	<u>139.4</u>	<u>131.9</u>
Current assets		
Inventories	86.5	82.6
Trade and other receivables	548.7	522.0
Derivative financial instruments	1.2	-
Cash and cash equivalents	61.3	57.5
	<u>697.7</u>	<u>662.1</u>
Total assets	<u>837.1</u>	<u>794.0</u>
Current liabilities		
Trade and other payables	(109.7)	(106.6)
Derivative financial instruments	-	(0.1)
Current tax liability	(19.0)	(22.9)
	<u>(128.7)</u>	<u>(129.6)</u>
Net current assets	<u>569.0</u>	<u>532.5</u>
Non-current liabilities		
Bank loans	(250.0)	(250.0)
Retirement benefit obligation	(3.3)	(1.0)
Deferred tax liabilities	(9.1)	(11.1)
	<u>(262.4)</u>	<u>(262.1)</u>
Total liabilities	<u>(391.1)</u>	<u>(391.7)</u>
Net assets	<u>446.0</u>	<u>402.3</u>
Equity		
Share capital	31.3	31.3
Share premium account	11.0	11.0
Own shares	(0.9)	(1.5)
Foreign currency translation reserve	2.3	1.9
Retained earnings	402.3	359.6
Total equity	<u>446.0</u>	<u>402.3</u>

Unaudited condensed consolidated cash flow statement

	52 weeks to 02-Mar-13 £m	53 weeks to 03-Mar-12 £m
Net cash from operating activities	72.4	56.5
Investing activities		
Purchases of property, plant and equipment	(7.1)	(5.7)
Purchases of intangible assets	(17.9)	(19.2)
Interest received	0.1	0.1
Net cash used in investing activities	(24.9)	(24.8)
Financing activities		
Interest paid	(6.9)	(7.9)
Dividends paid	(36.8)	(35.0)
Increase in bank loans	-	20.0
Purchase of shares by ESOT	(0.5)	(1.0)
Proceeds on issue of shares held by ESOT	0.5	0.6
Net cash used in financing activities	(43.7)	(23.3)
Net increase in cash and cash equivalents	3.8	8.4
Opening cash and cash equivalents	57.5	49.1
Closing cash and cash equivalents	61.3	57.5

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 02-Mar-13 £m	53 weeks to 03-Mar-12 £m
Operating profit	102.2	102.0
Adjustments for:		
Depreciation of property, plant and equipment	7.9	7.6
Amortisation of intangible assets	11.1	8.6
Share option charge	2.1	2.2
Operating cash flows before movements in working capital	123.3	120.4
Increase in inventories	(3.9)	(4.5)
Increase in trade and other receivables	(26.4)	(30.7)
Increase/(decrease) in trade and other payables	3.1	(7.5)
Pension obligation adjustment	(1.9)	(1.6)
Cash generated by operations	94.2	76.1
Taxation paid	(21.8)	(19.6)
Net cash from operating activities	72.4	56.5

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Own shares £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks to 2 March 2013						
Balance at 3 March 2012	31.3	11.0	(1.5)	1.9	359.6	402.3
Profit for the period	-	-	-	-	79.4	79.4
Other items of comprehensive income for the period	-	-	-	0.4	(3.0)	(2.6)
Total comprehensive income for the period	-	-	-	0.4	76.4	76.8
Equity dividends	-	-	-	-	(36.8)	(36.8)
Purchase of own shares by ESOT	-	-	(0.5)	-	-	(0.5)
Issue of own shares by ESOT	-	-	1.1	-	-	1.1
Adjustment to equity for share payments	-	-	-	-	(0.6)	(0.6)
Share option charge	-	-	-	-	2.1	2.1
Tax on items recognised directly in equity	-	-	-	-	1.6	1.6
Balance at 2 March 2013	31.3	11.0	(0.9)	2.3	402.3	446.0
Changes in equity for the 53 weeks to 3 March 2012						
Balance at 26 February 2011	31.0	11.0	(1.2)	2.1	317.5	360.4
Profit for the period	-	-	-	-	81.0	81.0
Other items of comprehensive income for the period	-	-	-	(0.2)	(4.6)	(4.8)
Total comprehensive income for the period	-	-	-	(0.2)	76.4	76.2
Equity dividends	-	-	-	-	(35.0)	(35.0)
Issue of ordinary share capital	0.3	-	-	-	-	0.3
Purchase of own shares by ESOT	-	-	(1.3)	-	-	(1.3)
Issue of own shares by ESOT	-	-	1.0	-	-	1.0
Adjustment to equity for share payments	-	-	-	-	(0.4)	(0.4)
Share option charge	-	-	-	-	2.2	2.2
Tax on items recognised directly in equity	-	-	-	-	(1.1)	(1.1)
Balance at 3 March 2012	31.3	11.0	(1.5)	1.9	359.6	402.3

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

The group's financial statements for the 52 weeks ended 2 March 2013 will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS by 30 May 2013.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those disclosed in the annual report & accounts for the 53 weeks ended 3 March 2012.

2. Principal risks and uncertainties

There are a number of risks and uncertainties which could have an impact on the group's long-term performance. These include consideration of the general economic climate, the impact it has on the provision of credit to our customers and their ability to maintain payment terms; the potential threat from our competitors; our relationship with key suppliers; the loss of key personnel; potential disruption to our key information systems, warehousing or call centre facilities arising from events beyond our control such as fire or other issues which could have a detrimental impact on sales and profit; and changes to the regulatory environment in which the business operates, primarily regulated by the Financial Conduct Authority and the Office of Fair Trading.

The directors routinely monitor all these risks and uncertainties taking appropriate actions to mitigate where necessary. Business continuity procedures are in place, together with a dedicated team assessing regulatory developments, ensuring we treat our customers fairly and hosting regular reviews with all of our strategic partners. The board are also committed to continually invest in updating the group's business systems and infrastructure to keep pace with new technology.

3. Going concern

In determining whether the group's accounts can be prepared on a going concern basis, the directors considered the group's business activities together with factors likely to affect its future development, performance and financial position including cash flows, liquidity position, borrowing facilities and the principal risks and uncertainties relating to its business activities.

The group has considered carefully its cash flows and banking covenants for the next twelve months from the expected date of signing of the group's audited financial statements. These have been appraised in light of the uncertainty in the current economic climate. Conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key trading risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate might have on the performance of the group's sales and debtor book.

The group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £370m which are committed until March 2016.

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

Notes to the unaudited condensed consolidated financial statements (cont.)**4. Business segments**

	52 weeks to 02-Mar-13 £m	53 weeks to 03-Mar-12 £m
Analysis of revenue - Home shopping		
Sale of goods	557.8	534.8
Rendering of services	226.9	218.4
	<u>784.7</u>	<u>753.2</u>
Analysis of result		
Segment result & operating profit - Home shopping	102.2	102.0
Investment income	3.9	4.3
Finance costs	(11.0)	(10.7)
Fair value adjustments to financial instruments	1.3	1.3
	<u>96.4</u>	<u>96.9</u>
Profit before taxation	96.4	96.9

The group has one business segment and one significant geographical segment that operates in and derives revenue from the United Kingdom. Revenue derived from international markets, which management now analyse as including Ireland, amounted to £30.2m (2012, £30.7m) and incurred operating losses of £1.9m (2012, £1.5m). All segment assets are located in the UK and Ireland.

5. Derivative financial instruments

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

	52 weeks to 02-Mar-13 £m	53 weeks to 03-Mar-12 £m
Notional Amount - Sterling contract value	<u>22.1</u>	<u>43.6</u>
Fair value of liability recognised	<u>1.2</u>	<u>(0.1)</u>

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a credit of £1.3m (2012, credit of £1.3m) to income in the period.

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

Notes to the unaudited condensed consolidated financial statements (cont.)**6. Taxation**

The effective rate of corporation tax for the year is 17.6% (2012, 16.4%).

7. Earnings per share

Earnings	52 weeks to 02-Mar-13 £m		53 weeks to 03-Mar-12 £m	
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	79.4		81.0	
Fair value adjustment to financial instruments (net of tax)	(1.0)		(1.0)	
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	78.4		80.0	
Number of shares	52 weeks to 02-Mar-13 No. ('000s)		53 weeks to 03-Mar-12 No. ('000s)	
Weighted average number of shares in issue for the purpose of basic earnings per share	278,536		276,681	
Effect of dilutive potential ordinary shares:				
Share options	529		367	
Weighted average number of shares in issue for the purpose of diluted earnings per share	279,065		277,048	
Earnings per share				
Basic	28.51	p	29.28	p
Diluted	28.45	p	29.24	p
Adjusted earnings per share				
Basic	28.15	p	28.91	p
Diluted	28.09	p	28.88	p

8. Dividends

The final proposed dividend of 8.23 pence per share, subject to approval by shareholders, will be paid on 26 July 2013 to shareholders on the register at the close of business on 26 June 2013.

Notes to the unaudited condensed consolidated financial statements (cont.)

9. Non-statutory financial statements

The financial information set out in the announcement does not constitute the company's statutory accounts for the 52 weeks ended 2 March 2013 or the 53 weeks ended 3 March 2012. The financial information for the 53 weeks ended 3 March 2012 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) Companies Act 2006. The audit of the statutory accounts for the 52 weeks ended 2 March 2013 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

This report was approved by the Board of Directors on 23 April 2013.