

9 May 2006

N Brown Group plc

**PRELIMINARY RESULTS ANNOUNCEMENT
YEAR ENDED 25 FEBRUARY 2006**

N Brown Group plc, the Manchester based direct home shopping company, today announces its preliminary results for the 52 weeks to 25 February 2006.

Highlights:

- Group turnover from continuing operations up by 8.2% to £484.8m (2005: £447.9m) including strong performance from core home shopping with turnover up 10.4% to £459.6m
- Reported results show group profit before tax up 177.4% to £51.8m. (up 25.9% to £51.8m excluding last years operating exceptional item*)
- Earnings per share up 146.5% from continuing operations (up 19.9% excluding last years operating exceptional item*)
- Net debt reduced by £33.3m to £92.9m
- Final dividend per share increased by 8.5% to 4.45p
- Current trading for Group shows sales growth of 7.1% for the first 10 weeks to 6 May 2006, including home shopping sales up by 8.8%

* Full year results 2005 included exceptional provisions of £22.5m in respect of the asset impairment in House of Stirling, the door-to-door selling division

Alan White, Chief Executive, said:

“I am pleased to announce a strong set of results against the background of a challenging retail market. It is encouraging that our focus on our core home shopping business over the past year has resulted in an excellent performance across all areas of the Group. Improved product ranges and catalogue presentation, together with an increasingly significant proportion of online sales demonstrates our ability to compete successfully in multi-channel retailing.”

Lord Alliance CBE, Chairman, added:

“These results confirm the significant progress the Group has made over the past year. Our strategy of focusing on our home shopping business, servicing the specialised clothing and footwear needs of our target customer groups, whilst rationalising our other operations, has resulted in an excellent result. Despite a weak outlook for consumer spending we are confident that we can make further progress this year.”

-Ends-

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CHAIRMAN'S STATEMENT

GROUP

The group results for the 52 weeks ended 25th February 2006 confirm the progress we have made throughout the past year in further developing the core home shopping business and rationalising our other activities.

Group turnover from continuing operations is up by 8.2% to £484.8m. The reported results show operating profit up by 125.1%, group profit before tax up by 177.4% and basic earnings per share up by 146.5%. Excluding last years operating exceptional item of £22.5m relating to the asset impairment in the door-to-door selling division, group operating profit is up by 19.5% to £60.0m, group pre-tax profit has risen by 25.9% to £51.8m, and adjusted basic earnings per share is up 19.9% .

Net debt has fallen by £33.3m to £92.9m, resulting in a reduction in gearing from 55% to 38% on net assets of £246.0m (2005, £230.1m). As a result net interest payable on borrowings has reduced from £8.1m to £6.9m, covered 8.7 times. These results enable the directors to propose an 8.5% increase in the final dividend to 4.45p, making a total for the year of 6.27p (up 7.4%) which is covered 2.0 times.

HOME SHOPPING

Turnover in the core home shopping business rose by 10.4% to £459.6m, and operating profit was up 11.0% at £62.4m. The most encouraging aspect of the performance is that sales have grown in all of our key customer and product niches.

Our younger titles, specialising in stylish clothing for the larger woman in the 30-45 age range, continued to grow at the fastest rate, delivering sales of £117m which was up by 15% on last year. The midlife catalogues, targeted at the 45-65 year old customer, increased sales by 9% to £319m. The midlife category includes a full years sales contribution of £19m (2005, £5m) from House of Bath which was acquired in November 2004 and the planned integration with the group's logistics was completed in September 2005. The older titles for the 65+ age group also continued to make progress with an 8% increase in turnover.

Following improvements to product ranges and designs, the most encouraging aspect of the year is the reinvigoration of our ladieswear sales which were up 9% to £245m. Menswear provides 7% of total turnover and produced an 8% increase on the previous year. The highest growth category remained footwear, where the offer of multiple width fittings for shoes and boots continues to attract both new and existing customers. Sales from the home and electrical categories did well in the second half and increased by 11% for the year as a whole. The gross margin on sales in core home shopping was the same as the previous year.

The conduit between the customers and the product ranges is the promotional channels that we use. Catalogues are the dominant source of sales generation and increases in pagination have helped sales increase by 9%. However the higher frequency of contact with our customer base through mid-season mailings in a variety of formats has been the biggest contributor to sales growth. In aggregate the sales from these mailings resulted in a 34% increase to £122m, now representing 27% of total sales.

The other channel to our customers which has delivered significant growth is the internet. On-line sales accounted for 16% of total sales, increasing by 70% to £74m. More customers are naturally choosing to key their order in on-line rather than telephone the call centre, which results in higher average order values as well as lower operating costs. Additionally we run regular email promotional campaigns to drive incremental sales and we also implemented an advanced search facility on our various websites which helps customers find specific products more easily.

Customer recruitment campaigns performed strongly throughout the year resulting in a 19% increase in sales from new customers. Increased response rates from our mailings resulted in a 1% rise in the number of established customers who ordered, whilst their average spend increased by a further 4%. These encouraging statistics mean we start the new financial year with a stronger database of active customers.

OTHER CONTINUING ACTIVITIES

House of Stirling, our door-to-door selling arm, has been radically overhauled during the year. The result is a significant reduction in the operating losses before operating exceptional items of £22.5m from £6.3m to £2.3m on turnover which was down by 32.9% to £16.1m. Further cost saving measures are in hand to improve the results in 2006/7.

Zendor, which provides home shopping services for third party retailers, increased its revenues by 22.4% to £9.1m. Zendor now has its own dedicated warehouse facilities which will enable further contracts to be obtained, but the extra costs resulted in a small operating loss of £0.1m.

DISCONTINUED ACTIVITIES

During the year we disposed of businesses which in the year to February 2006 incurred operating losses and losses on disposal totalling £1.1m.

Teleview, a direct television rental business, was sold in May 2005 for £6.2m, incurring a loss on disposal of £1.2m. The debtor book of the financial services division was sold for £16.2m, slightly above our expectations allowing £1.1m of the £3m impairment provision taken last year to be released.

JOINT VENTURE

During the year we also closed our joint venture television shopping channel, as its growth prospects were below our original expectations, and our share of losses was £1.9m.

CURRENT TRADING

The results for last year clearly demonstrate that the strategy we adopted in 2003 to focus on those home shopping activities where we have a strong selling proposition has worked. We have concentrated on servicing the needs of the larger or older customer segments and exited from a number of peripheral businesses.

Despite a generally weak consumer retail environment, our ongoing strategy of providing our target customer groups with fashionable yet comfortable clothing and footwear is continuing to deliver good sales growth in the ten weeks to 6th May 2006. Since the financial year-end core home shopping sales are up by 8.8% with further increases in all major customer and product groups. Group sales in total are up by 7.1%.

The Spring Summer catalogues have performed well complemented by strong demand from the mid-season mailing program. On-line sales are maintaining their upward momentum and accounted for 20% of sales for the same ten week period since the financial year-end.

OUTLOOK

One of the key drivers of growth for the rest of the year, when comparatives will get progressively tougher, will be the size of our active customer base. New customer recruitment campaigns have produced good results so far and it is very encouraging that we now have many different routes to acquire new and long term customers, with online recruitment via the search engines having great potential. Future catalogues and brochures will have a steady influx of new merchandise and improved presentation to stimulate our established customers to place further orders. Longer term the demographic trends will continue to move in our favour with the number of customers aged 45 or over expected to rise by 15% in the next decade.

The retail environment has been challenging in the last year and the outlook for consumer spending remains weak. We have demonstrated that we can deliver strong growth despite these tough trading conditions and with the tireless efforts of the management and staff the Board is confident in the Group's ability to drive further progress this year.

Lord Alliance, CBE
9 May 2006

CHIEF EXECUTIVES REVIEW

We have made good progress during the year ended 25th February 2006 driving our multi-channel home shopping strategy forward whilst continuing to rationalise the under performing businesses in the group. The strength of these results is derived from improvements in almost all areas of the business, thereby giving us a strong platform for future growth.

Group sales from continuing activities were up by 8.2% to £484.8m. Operating profit from continuing activities was up by 20.3% to £58.1m excluding last years operating exceptional costs of £22.5m.

HOME SHOPPING

Home shopping sales rose by 10.4% to £459.6m, with underlying sales excluding House of Bath up by 7.1% to £440.7m. This underlying sales growth accelerated as the year progressed from a 4.9% increase in the first half to a 9.3% increase in the second half. This reflected the building of momentum as we capitalised on a number of successful tests in 2004 and rolled them out fully in 2005. The sales growth was an amalgam of improvements in our product ranges, catalogues, marketing and customer service.

PRODUCT GROUPS

Our strategy is to focus on niche customers and products. We have made significant progress during the year in selecting merchandise which suits the more modern outlook of the larger and/or older customer. The biggest breakthrough has been in ladieswear where after three years of static sales we have seen an increase of 9% to £245m. This was vital to the business as a whole as ladieswear accounts for over half our total sales. The most notable increases within ladieswear were in our younger fashion, casuals and occasion wear ranges. The success reflected the skill of the buying team in designing fashionable clothes to suit the fuller figure whilst purchasing at competitive prices in order to deliver the value the customer demands in the continuing deflationary retail clothing sector.

The range of sizes we offer has continued to expand with more styles available up to size 34 and even size 38 in some cases. Over half our sales are from size 20 or above, confirming the strength of our proposition. This also applies to our corsetry ranges which specialise in large back and cup sizes, up to size 54J.

Over 90% of our customers are female but we also have a thriving menswear business which saw sales increase by 8% to £34m. Our younger in-house menswear brand Southbay saw strong sales growth to complement the older established Premier Man brand. Footwear, all of which is available in multiple width fittings, has maintained its strong recent sales trends with a 16% increase to £53m. The introduction of younger styles has significantly increased the footwear sales to our Fashion World and Simply Be customers. We have also demonstrated our understanding of customers special footwear requirements by developing a range of boots which are available in different calf widths. This adds further stock options to our already extensive range but re-emphasises our expertise in fittings.

Home and leisure sales represent 28% of home shopping turnover and saw an 11% increase to £128m. There was a full year contribution from House of Bath, and good performances from the extended Christmas ranges, bedding and household textiles although other categories declined in a generally weak market.

The nature of our business requires a high number of product options because of our extensive range of size and fittings. To ensure the customer, whatever their size, has the widest possible choice of merchandise we increased our product options by 8% over the previous year. We have sought to capitalise on this extensive range by incentivising customers to purchase from a product range they had not previously bought from, and this has resulted in a meaningful increase in the number of multi-range shoppers.

In addition to generating more orders from customers we have been successful in fulfilling a higher percentage of those orders. Our stock service level has improved, despite sales being above our original expectations, benefiting from a number of changes made in our supply chain. Similarly the extensive work done to improve the fit of the garments was rewarded with a 1% reduction in the rate of returns. This reduction improved net sales growth, increased stock turnover and reduced the cost of refurbishing returned items. On average our unit selling prices were 3% lower than the previous year due to a combination of the product mix and deflation.

CUSTOMER GROUPS

We have many different catalogue brands, each with a specific target niche, which for convenience we group into three age segments. The fastest growing segment is for those customers aged 30 to 45 years old which has seen sales increase by 15% to £117m. Simply Be, which offers fashion clothing, footwear and accessories in sizes 14 to 34, continues to perform extremely well, and our other key brand, Fashion World, has also contributed to the growth.

The midlife category, for customers aged 45-65 years old, increased sales by 9% to £319m with particularly strong performances from Fifty Plus, Shapely Figures, Shoe Tailor and Oxendales in Ireland. This is our core segment producing 69% of total sales. It also includes House of Bath, an upmarket catalogue specialising in hard to find products for the house and garden, which we acquired in November 2004. Although it took a little longer than originally anticipated House of Bath's operations have now been successfully integrated into the group's call centres, warehouse and reporting systems, which is resulting in both cost efficiencies and cross-selling opportunities. The older and upmarket sector of the home shopping market has seen strong growth in recent years and, using House of Bath as a base, we will be looking to increase our penetration of this segment in future years.

The sales to customers aged over 65 grew by 8% to £24m with a doubling in the size of the Special Collection catalogue being the main catalyst for this growth. It is noticeable in all our customer groups that the product which is selling best has a younger feel to it than in previous years, supporting the contention that all age groups are preferring a younger image than previous generations.

CHANNELS TO MARKET

We have had to progressively manage our channels to market to reflect the latest trends in customer behaviour. The development of on-line shopping is a fundamental change for the home shopping sector, bringing with it many cost savings and promotional opportunities, but also intensifying the competitive landscape, as many more retailers are adopting a multi-channel strategy.

During the year our on-line sales grew by 70% to £74m. The natural trend is for customers to switch from ordering by telephone to keying their orders directly into the internet as the technological barriers break down and broadband connectivity becomes more widely available. More of our recruitment budget is now being spent on promoting our brands and key product features through the internet search engines such as Google. We are typically high on the natural webpage listings but we also sponsor certain keywords which help drive traffic cost effectively to our sites. Additionally, once we have a customers email address we send them regular promotions to generate incremental demand. During last year we ran over 150 different email campaigns sending 33 million emails. The cost of these emails is small compared to the cost of direct marketing by post and this allows us to target customers where it would not be profitable to do so by conventional means. We do not foresee the time when we will cease to send customers catalogues as the look and feel of them is still extremely difficult to replicate on a computer screen. However promotional offers and letters can be replicated by email offers, requiring minimal lead time, and this is where the major cost opportunity lies.

We now have some internet only brands which have required a low level of investment to launch. VivaLaDiva markets an extensive range of boutique and high street footwear brands as well as our own ranges whilst the Craftingdirect website carries a wide range of craft kits and ideas. These sites rely on the suppliers to despatch the goods to our customers and there is more work to do to make the supply chain effective and increase the gross margin to a profitable level. In addition we have launched a number of stock clearance websites which are proving very popular and improve the yield on the disposal of fragmented end of range stocks.

The proportion of sales placed online is now 16%, up from 4% only three years ago. Going forward we can offer online customers a wider product range and promote to them more frequently. In addition every online order bypasses the call centre thereby reducing our overheads.

The other continuing trend has been the switch of sales from the smaller leaflets sent with the monthly statement mailings to more substantial brochures such as NewNow, Summer and Winter Value, Classic Detail and Selections, where sales rose by 34% over last year and which now account for 27% of all home shopping sales. One of the core skills in the group is our ability to analyse the 5 million customers on our database and determine who is most appropriate to be sent each catalogue or brochure based on their previous purchasing behaviour. The content and format of the mid-season mailings are continually refreshed to stimulate the customers interest.

Catalogues mailed up to five times a year remain the core offer for customers. Significant changes have been made to improve the presentation of the catalogues which has yielded

an improvement in response rates. Overall sales from catalogues have increased by 9% over last year, and they now account for 56% of total sales.

In recent years sales growth has been wholly driven by higher sales per established customer, as recruitment was becoming more expensive and our overall database was slowly contracting. We have undertaken a rebalancing of the recruitment campaigns, reducing merchandise advertising in newspapers and magazines but increasing the level of catalogue inserts in womens magazines and in weekend newspaper supplements, direct response TV advertising, direct mail, online activity and catalogue advertising. This rebalanced campaign has resulted in fewer customers being recruited but they are higher spenders and more likely to purchase again in subsequent seasons.

Telemarketing remains a fertile activity to deliver incremental sales. We target a series of campaigns utilising the specific sales and service data we hold on each customer which results in a high response rate to our calls. As the proportion of orders through the internet increases we are utilising the resulting spare capacity in the call centre to progressively enlarge the telemarketing team. This has necessitated the purchase of a new automated dialler and we will be switching some personnel from answering inbound calls to making outbound calls.

INFRASTRUCTURE

We have initiated a number of major projects to cater for the next phase of our business growth. During the year we purchased a 21 acre site in Glossop for £9m including the cost of converting the existing buildings into usable warehouse space. This enabled the insourcing of House of Bath's fulfilment from a third party operator, and also allowed us to exit from some rented warehousing. A further two warehouse buildings will be erected on the site for a cost of £8m by the end of 2006. This will enable further reduction in our third party warehouse requirements and improve our efficiency.

Anticipating that our online sales will continue their strong upward momentum we need to improve the capacity and functionality of our websites. This involves a major development project at a total cost of £5m, £2m of which was incurred in the last financial year.

FINANCIAL INCOME

About half of our customers pay for their purchases on deferred terms creating an interest-bearing debtor portfolio of £303m which comprises 1.5m customers owing an average of £200 each. The level of bad debts has remained the same as last year with the adverse effect of more sales from the younger titles offset by improved fraud detection. We implemented new behavioural scoring systems on schedule in December 2005 which will improve the decision making on the credit limit to be provided to each customer. We will be carefully managing the trade-off between higher sales and bad debts arising from these changes.

We also work with third party financial services providers to offer creditor insurance, loans, life and general insurances, warranty cover on our furniture and electrical sales, and our own brand credit card, which is currently on trial. However the increasing level of regulation over the selling of financial products does make them more difficult to market through remote channels.

OPERATING MARGIN

The operating margin we have achieved on our home shopping activities has increased from 13.5% to 13.7%. Gross margins are level with last year with the benefit from the mix of product sales which have favoured the higher margin ladieswear offset by higher VAT charges. The cost saving program that we focused on last year has limited the increase in marketing costs whilst the expansion of the home delivery courier network has resulted in lower distribution costs per parcel. These savings have helped offset significant increases in some of our overheads such as payroll and pension costs, utilities and information technology expenditure.

OTHER BUSINESSES

House of Stirling, our door to door selling business, has operated throughout the second half with a revised business model which has significantly reduced operating losses before exceptional items for the year from £6.3m to £2.3m. The worst performing debt was sold off to a third party collector and the sales force reduced by 140. We also eliminated some low margin activities which had traditionally boosted sales in December. The result has been a 32.9% reduction in sales to £16.1m but there has also been a corresponding significant reduction in bad debts, which coupled with overhead savings has led to the reduced losses. We need to make more progress in the new financial year, through both modest sales growth, bad debt reduction and further cost savings.

Zendor has enjoyed significant growth of 43% in its core fulfilment revenues within an overall sales increase of 22.4% to £9.1m. Zendor's major clients all benefited from the growing proportion of retail sales being transacted on-line. This has not translated into a growth in operating profit for Zendor in the financial year because we have acquired more warehouse capacity which was not fully utilised, but it does provide the capability to secure more fulfilment contracts from retailers.

OUTLOOK

The results we have achieved in the last year have resulted from our strategy to focus on a multi-channel approach to home shopping concentrating on those customers where we have a competitive advantage due to their age and/or size and then ensuring we deliver the products which meet their needs. The demographics of the UK population will provide an increased number of target customers as there will be 15% more females over the ages of both 45 and 65 in the next decade. Our challenge is to provide these customers with exciting catalogues and websites which contain fashionable, yet comfortable merchandise.

There is a new postage charging regime which will be beneficial from September 2006. We will look to exploit this change by selective increases in the number of pages in our mailings where we believe we can generate incremental sales. The proportion of sales through the online channel will continue to grow organically with the increased penetration and reducing cost of broadband but we also plan to expand the range of products and services available, such that the widest choice will be available on line.

CURRENT TRADING

The 7.1% increase in group sales and more importantly, the 8.8% growth in home shopping sales in the first 10 weeks of the year provides much encouragement for the

prospects for the current year. The sales growth is arising from more active customers, both new and established, as well as an increase in the average spending of each customer. At this stage the price architecture is delivering an average selling price and a gross margin which are level with last year.

The comparatives will become tougher as the year progresses but the trading in the early part of the current financial year, the growth in our active customer base and the strong financial position give us confidence that we can make further progress this year.

Alan White
9 May 2006

CONSOLIDATED INCOME STATEMENT

	Note	52 weeks to 25-Feb-06 £m	52 weeks to 26-Feb-05 £m
Revenue - continuing operations	1	<u>484.8</u>	<u>447.9</u>
Operating profit			
Group operations	1	60.0	27.6
Share of joint venture operating loss		<u>(1.9)</u>	<u>(1.9)</u>
Operating profit - continuing operations		58.1	25.7
Investment income		2.8	2.9
Finance costs		(10.8)	(10.2)
Fair value adjustments to financial instruments	6	<u>1.7</u>	<u>-</u>
Profit before taxation		51.8	18.4
Taxation		(14.8)	(3.4)
Profit for the year from continuing operations		<u>37.0</u>	<u>15.0</u>
Loss for the period from discontinued operations	2	(0.9)	(3.1)
Profit attributable to equity holders of the parent		<u>36.1</u>	<u>11.9</u>
Earnings per share from continuing operations	4		
Basic		12.57 p	5.10 p
Diluted		12.52 p	5.09 p
Earnings per share from continuing and discontinued operations	4		
Basic		12.26 p	4.05 p
Diluted		12.22 p	4.04 p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	52 weeks to 25-Feb-06 £m	52 weeks to 26-Feb-05 £m
Exchange differences on translation of foreign operations	(0.2)	0.2
Actuarial losses on defined benefit pension schemes	(4.9)	(3.5)
Tax on items recognised directly in equity	<u>1.5</u>	<u>1.1</u>
Net expense recognised directly in equity	(3.6)	(2.2)
Profit for the year	36.1	11.9
Recognised income for the year attributable to equity holders of the parent	<u><u>32.5</u></u>	<u><u>9.7</u></u>

CONSOLIDATED BALANCE SHEET

	25-Feb-06 £m	26-Feb-05 £m
Non-current assets		
Intangible assets	22.0	19.7
Property plant & equipment	61.0	53.6
Other investments	-	0.1
Deferred tax assets	10.4	8.9
	<u>93.4</u>	<u>82.3</u>
Current assets		
Inventories	52.5	44.7
Trade and other receivables	326.0	310.2
Other financial assets	0.7	-
Cash and cash equivalents	51.1	44.5
	<u>430.3</u>	<u>399.4</u>
Non-current assets classified as held for sale	-	23.1
Total Assets	<u>523.7</u>	<u>504.8</u>
Current liabilities		
Bank overdrafts	(0.2)	(0.1)
Obligations under finance leases	-	(0.6)
Trade and other payables	(79.1)	(65.6)
Other financial liabilities	-	(1.0)
Current tax liability	(14.9)	(5.6)
	<u>(94.2)</u>	<u>(72.9)</u>
Net current assets	<u>336.1</u>	<u>326.5</u>
Non-current liabilities		
Bank loans	(143.8)	(170.0)
Retirement benefit obligation	(34.4)	(28.3)
Deferred tax liabilities	(5.3)	(2.9)
	<u>(183.5)</u>	<u>(201.2)</u>
Liabilities directly associated with non-current assets classified as held for sale	-	(0.6)
Total liabilities	<u>(277.7)</u>	<u>(274.7)</u>
Net assets	<u>246.0</u>	<u>230.1</u>
Equity		
Share capital	29.5	29.5
Share premium account	9.2	9.2
Own shares	(0.8)	(1.5)
Foreign currency translation reserve	-	0.2
Retained earnings	208.1	192.7
Total equity	<u>246.0</u>	<u>230.1</u>

CONSOLIDATED CASH FLOW STATEMENT

	52 weeks to 25-Feb-06 £m	52 weeks to 26-Feb-05 £m
Net cash inflow from operating activities	71.3	52.8
Cash flows from investing activities		
Purchases of property, plant and equipment	(11.7)	(5.8)
Proceeds on disposal of property, plant and equipment	0.2	4.9
Purchases of intangible fixed assets	(8.1)	(5.1)
Loan advanced to joint venture	-	(2.0)
Disposal of subsidiary	5.3	-
Net cash flows from investing activities	<u>(14.3)</u>	<u>(8.0)</u>
Cash flows from financing activities		
Interest paid	(7.9)	(10.0)
Interest received	1.4	1.6
Dividends paid	(17.4)	(17.1)
Repayment of bank loans	(26.2)	-
Repayment of obligations under finance leases	(0.6)	(0.6)
Proceeds on issue of share capital	-	0.1
Proceeds on issue of shares held by ESOT	0.2	-
Increase/(decrease) in bank overdrafts	0.1	(1.1)
Net cash flows from financing activities	<u>(50.4)</u>	<u>(27.1)</u>
Net increase in cash and cash equivalents	6.6	17.7
Opening cash and cash equivalents	44.5	26.8
Closing cash and cash equivalents	<u>51.1</u>	<u>44.5</u>

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM
OPERATING ACTIVITIES**

	52 weeks to 25-Feb-06 £m	52 weeks to 25-Feb-05 £m
Cash flows from operating activities		
Operating profit	60.0	27.6
Operating profit/(loss) from discontinued operations	0.1	(2.5)
Depreciation	4.2	5.6
Loss on disposal of property, plant and equipment	0.2	0.3
Amortisation of intangible fixed assets	5.8	5.3
Share option charge	0.6	0.7
Operating cashflows before changes in working capital	70.9	37.0
(Increase)/decrease in inventories	(7.8)	1.6
(Increase)/decrease in trade and other receivables	(2.2)	21.3
Increase in trade and other payables	13.4	7.7
Pension obligation adjustment	(0.2)	(0.3)
Cash generated from operations	74.1	67.3
Taxation paid	(2.8)	(14.5)
Net cash inflow from operating activities	71.3	52.8

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1. Analysis of revenue and operating profit	52 weeks to 25-Feb-06 £m	52 weeks to 26-Feb-05 £m
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Analysis of revenue

Continuing

Home shopping	459.6	416.5
Door to door selling	16.1	24.0
Fulfilment	9.1	7.4
	<u>484.8</u>	<u>447.9</u>

Analysis of operating profit

Continuing

Home shopping	62.4	56.1
Door to door selling	(2.3)	(28.8)
Fulfilment	(0.1)	0.3
	<u>60.0</u>	<u>27.6</u>

Analysis of operating profit before operating exceptional items

Continuing

Home shopping	62.4	56.1
Door to door selling	(2.3)	(6.3)
Fulfilment	(0.1)	0.3
	<u>60.0</u>	<u>50.1</u>

The prior year operating exceptional items comprised a £22.5m impairment charge on the value of assets in the door to door selling division.

2. Discontinued operations	52 weeks to 25-Feb-06 £m	52 weeks to 26-Feb-05 £m
<i>Revenue</i>		
TV rental	0.8	5.7
Financial services	0.9	6.7
	<u>1.7</u>	<u>12.4</u>
 <i>Operating profit</i>		
TV rental	(0.1)	(0.7)
Financial services	0.2	(1.8)
	<u>0.1</u>	<u>(2.5)</u>
 Loss on disposal of TV rental business	(1.2)	-
Finance costs	(0.2)	(2.0)
Taxation	0.4	1.4
	<u>(0.9)</u>	<u>(3.1)</u>

3. Reconciliation of equity	52 weeks to 25-Feb-06 £m	52 weeks to 26-Feb-05 £m
Total recognised income for the year	32.5	9.7
Equity dividends declared	(17.4)	(17.1)
Issue of ordinary share capital	-	0.1
Issue of own shares via ESOT	0.2	-
Share option charge	0.6	0.7
Opening balance sheet adjustment for adoption of IAS 39	-	(0.7)
	<u>15.9</u>	<u>(7.3)</u>
Total movement during the period		
Equity at the beginning of the year	230.1	237.4
	<u>246.0</u>	<u>230.1</u>
Equity at the end of the year		

4. Earnings per share

The calculation of earnings per share from continuing operations is based on the profit for the year from continuing operations of £37.0m (2005, £15.0m) and the weighted average number of shares in issue during the year of 294.4m (2005, 294.0m). The calculation of earnings per share from continuing and discontinued operations is based on the profit attributable to equity holders of the parent of £36.1m (2005, £11.9m) and the weighted average number of shares in issue during the year of 294.4m (2005, 294.0m).

To assist comparison, an adjusted basic earnings per share from continuing operations of 10.48 pence has also been calculated to exclude the impact of the operating exceptional item of £22.5m (7.65 pence per share) and the associated tax credit of £6.7m (2.27 pence per share) in the prior year and is based on a profit for the financial year of £37.0m (2005, £30.8m).

For diluted earnings per share, the weighted average number of shares used in the calculation of 295.5m (2005, 294.7m) is after adjusting for the potential dilution of outstanding share options.

5. Dividends

The final recommended dividend is proposed to be paid on 26 July 2006 to shareholders on the register at the close of business on 30 June 2006.

6. Basis of preparation

The group's financial statements for the 52 weeks ended 25 February 2006 will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. Previously, the group's financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP).

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 in June 2006.

Details of the changes in accounting policies arising from the adoption of IFRS together with restated financial information for the 26 weeks ended 27 August 2005 and the 52 weeks ended 26 February 2005 have previously been published and is available on the group's website www.nbrown.co.uk.

In accordance with IFRS1 'First Time Adoption of International Financial Reporting Standards', the group has elected not to restate comparative information for the impact of IAS 32 and IAS 39 'Financial Instruments'. The opening balance sheet at 26 February 2005 has been adjusted in accordance with the requirements of these standards from that date. During the 52 weeks ended 25 February 2006 income of £1.7m has been recognised in respect of fair value movements of the group's forward foreign currency contracts.

7. Non-statutory financial statements

The financial information set out above does not constitute the group's statutory financial statements for the 52 weeks ended 25 February 2006 or the 52 weeks ended 26 February 2005, but is derived from those financial statements. The financial statements for the 52 weeks ended 25 February 2005 were prepared under UK GAAP and have been delivered to the Registrar of Companies. The auditors have reported on the financial statements for the 52 weeks ended 26 February 2005; their report was unqualified and did not contain any statement under Section 237(2) or (3) of the Companies Act 1985. The auditors have not reported on financial statements for the 52 weeks ended 25 February 2006, nor have any such financial statements been delivered to the Registrar of Companies.

This report was approved by the Board of Directors on 9 May 2006.