

Home Truths

*J*williams

AMBROSE
WILSON
Your alternative to
the high street

Premier
MAN

oxendales

HEATHER
VALLEY

Simply Be

fashion
WORLD

Shapely FIGURES

Jacamo

Marisota*

GRAY & OSBOURN

VivaLaDiva.com

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ESSENTIALS

naturally close.co.uk

THE
SPECIAL
COLLECTION

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confidence

crazy
clearance.co.uk

petfood
stuff.co.uk

HOUSE OF
BATH

new|now.co.uk

HOME SHOPPING
DIRECT

Simply Yours.co.uk
The Above Average Underwear Company

Simply Be HOME

Fifty plus

discountworld.com

THE SHOE
TAILOR

CLASSIC DETAIL
FASHION FOR EVERY OCCASION

the brilliant
giftshop.co.uk
love to give

Financial Summary (For the 26 weeks ended 30 August 2008)

	08	07
Revenue	£322.8m	£286.8m
Operating profit	£45.9m	£41.0m
Profit before taxation	£40.8m	£34.1m
Adjusted basic earnings per share	10.82p	9.10p
Basic earnings per share	9.09p	9.10p
Dividend per share	2.78p	2.65p
Net assets	£251.4m	£217.8m
Net asset value per share	91.7p	80.3p
Gearing	88%	93%

We are pleased with our performance over the last six months, particularly against the backdrop of the decline in consumer confidence. Our strategy to always look at means of improving our product ranges, websites and catalogues has enabled us to deliver strong growth across our brand portfolio. We will continue to develop our channels to market and enrich our product offer. While the uncertain length and depth of the economic downturn still worries retailers generally, the 11.8% increase in sales for the first five weeks gives us confidence that we can continue to deliver growth in the second half.

Chairman's Statement

Our home shopping business has continued to deliver strong revenue and profit growth in the 26 weeks to 30th August 2008, despite the economic conditions and the decline in consumer confidence. This is due to the favourable demographics of our customer base, coupled with improvements to our product ranges, websites and catalogues.



**Lord Alliance of Manchester, CBE
Chairman**

Results

Revenue from continuing operations is up by 12.6% to £322.8m and operating profit is up by 12.0% to £45.9m. Adjusted earnings per share from continuing operations are up by 18.9% to 10.82p. The directors are proposing a 4.9% increase in the interim dividend to 2.78p.

Net borrowings at 30 August 2008 have increased by £18.2m on last year to £220.5m. Our committed bank facilities from HSBC and Royal Bank of Scotland total £320m and are in place until 2012. Net interest payable on borrowings was covered 6.0 times (2007, 5.8 times) and gearing fell from 93% to 88%.

Customers

Revenue has been driven by an increase in both the number of new and established customers and the spend per customer. Successful trading in the last financial year, when we also launched a number of new brands, meant we started this year with a larger customer base. This has helped sales from established customers increase by 11% through a combination of 4% more customers and a 7% rise in revenue per customer. In addition an increased investment in customer recruitment resulted in sales from new customers rising by 20%.

It is encouraging that we continue to see growth in all our customer groups. The largest group, the midlife titles which target customers aged 45 – 65, grew by 9% to £214m, including good results from JD Williams, Oxendale Ireland, Premier Man and Marisota. The younger titles, targeted

at customers aged below 45, continue to grow at the fastest rate, and saw sales increase by 21% to £94m. Jacamo and Simply Yours, which were launched in 2007, have continued to do well, complementing strong growth from the Simply Be and Fashion World brands.

Products

All product groups have contributed to the sales growth. Ladieswear sales have risen by 9% to £182m. This growth was helped by good sales from the introduction of more branded lines and ranges from celebrity designers such as Caryn Franklin. In addition we saw the weather influence the ladieswear sales mix with significant increases in sales of knitwear and outerwear.

Menswear sales were exceptional, up by 24% to £26m, due to a good second season for Jacamo (which sells branded clothing in larger sizes), as well as continuing success with our Premier Man, Southbay and sportswear ranges. Footwear sales increased by 3%, despite a second successive wet summer which depressed the sales of sandals.

Home and leisure sales were up by 23% to £81m, representing 25% of total sales. This growth was the result of a number of initiatives coming to fruition: the more contemporary ranges were promoted in many more of the younger customers' catalogues, we launched the all year round Brilliant Gifts website and catalogue, and we continued to see our core customers updating their televisions and personal computers.

Group revenue up 12.6% to

£322.8m

Group operating profit up 12.0% to

£45.9m

Adjusted earnings per share up 18.9% to

10.82p

Channels

The rapid switch from telephone to online ordering has continued during the period. Telephone orders were level with last year but online sales grew by 45% to £106m and now represent 33% of total revenue. This increase is due to a growing proportion of our new customers being recruited online, significant improvements to the functionality of our websites in terms of appearance and ease of use, together with an expansion in the number of products exclusive to our online channel and increased promotional activity on the home pages, as well as through our regular email campaigns.

Gross and Operating Margin

The gross margin in the first half was 54.7% (2007, 55.5%). The net reduction has resulted from changes in the complex mix of our products, services and customers.

The main reason for the reduction was the planned increase in sales from newly recruited and our younger customers. These groups have a higher credit risk in the early months but our profitability models, of which bad debts are just one component, consistently demonstrate that in due course they become profitable customers. The rate of bad debts when we compare similar groups of customers year on year is showing little deterioration. Favourable currency movements have offset the lower rate of margin on our branded clothing and home and leisure ranges.

The increasing share of our sales through the internet and a 7% increase in the average item value have delivered

operational savings in our contact and distribution centres. We took the strategic decision to continue to increase our spend on marketing activities to drive customer recruitment and response rates. Overall operating costs rose by only 10.5% and we achieved an operating margin of 14.2% (2007, 14.3%).

Current Trading and Outlook

The trends evident in the first half have carried through into the first five weeks of the second half. Revenue is up by 11.8% with good progress being made in all major product and customer groups. Online sales have also continued to develop and represented 35% of total sales in the 5 weeks to 4th October 2008.

We have introduced more branded lines and worked with new celebrity designers, such as a range of corsetry by Gok Wan, to enrich our product offer. Our websites now feature fully guided navigation and there is a pipeline of further enhancements which will improve sales conversion from visitors to our websites.

The length and depth of the economic downturn could ultimately have an impact on our customers' financial situation but, in the meantime, we are continuing to develop the business. However, we will be holding our recruitment spend in the second half at last year's level and keeping a tight control on costs. In addition, as a precautionary measure, we have tightened our credit policies and will monitor closely any changes in the performance of the debtor portfolio.

The board remains confident that our management team will continue to take advantage of any opportunities which arise and deliver another good performance in the year to February 2009.



**Lord Alliance
of Manchester, CBE
7th October 2008**

Unaudited Condensed Consolidated Income Statement

	Note	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	53 weeks to 1 Mar 2008 £m
Revenue – continuing operations	3	322.8	286.8	610.9
Operating profit – continuing operations	3	45.9	41.0	91.8
Investment income		2.2	2.1	4.2
Finance costs		(9.8)	(9.2)	(19.8)
Fair value adjustments to financial instruments		2.5	0.2	1.8
Profit before taxation		40.8	34.1	78.0
Taxation	5	(16.2)	(9.7)	(22.2)
Profit for the period from continuing operations		24.6	24.4	55.8
Profit for the period from discontinued operations	4	–	0.1	1.1
Profit attributable to equity holders of the parent		24.6	24.5	56.9
Adjusted earnings per share from continuing operations	6			
Basic		10.82p	9.10p	20.75p
Diluted		10.76p	8.99p	20.67p
Earnings per share from continuing operations	6			
Basic		9.09p	9.10p	20.75p
Diluted		9.03p	8.99p	20.67p
Earnings per share from continuing and discontinued operations	6			
Basic		9.09p	9.14p	21.16p
Diluted		9.03p	9.03p	21.08p

Unaudited Condensed Consolidated Statement of Recognised Income and Expense

	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	53 weeks to 1 Mar 2008 £m
Exchange differences on translation of foreign operations	0.7	(0.1)	0.8
Actuarial (losses)/gains on defined benefit pension schemes	(8.8)	5.3	7.9
Tax on items recognised directly in equity	2.5	(1.9)	(1.0)
Net (expense)/income recognised directly in equity	(5.6)	3.3	7.7
Profit for the period	24.6	24.5	56.9
Recognised income for the period attributable to equity holders of the parent	19.0	27.8	64.6

Unaudited Condensed Consolidated Balance Sheet

	30 Aug 2008 £m	25 Aug 2007 £m	1 Mar 2008 £m
Non-current assets			
Intangible assets	31.8	30.7	30.9
Property, plant & equipment	72.1	71.3	70.5
Deferred tax assets	7.6	7.8	7.1
	111.5	109.8	108.5
Current assets			
Inventories	70.8	64.3	68.1
Trade and other receivables	445.7	384.3	406.2
Derivative financial instruments	2.6	–	0.1
Cash and cash equivalents	39.7	40.9	50.8
	558.8	489.5	525.2
Total assets	670.3	599.3	633.7
Current liabilities			
Bank overdrafts	(0.2)	(0.2)	(0.2)
Trade and other payables	(117.9)	(104.7)	(103.6)
Derivative financial instruments	–	(1.5)	–
Current tax liability	(12.0)	(15.2)	(13.2)
	(130.1)	(121.6)	(117.0)
Net current assets	428.7	367.9	408.2
Non-current liabilities			
Bank loans	(260.0)	(243.0)	(250.0)
Retirement benefit obligation	(10.9)	(7.9)	(5.8)
Deferred tax liabilities	(17.9)	(9.0)	(12.4)
	(288.8)	(259.9)	(268.2)
Total liabilities	(418.9)	(381.5)	(385.2)
Net assets	251.4	217.8	248.5
Equity			
Share capital	30.3	30.0	30.0
Share premium account	11.0	11.0	11.0
Own shares	(0.3)	(0.3)	(0.1)
Foreign currency translation reserve	1.9	0.3	1.2
Retained earnings	208.5	176.8	206.4
Total equity	251.4	217.8	248.5

Unaudited Condensed Consolidated Cash Flow Statement

	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	53 weeks to 1 Mar 2008 £m
Net cash from operating activities	12.1	9.7	31.7
Investing activities			
Purchases of property, plant and equipment	(4.4)	(5.0)	(8.8)
Purchases of intangible assets	(4.1)	(3.0)	(6.7)
Disposal of subsidiary	–	–	3.3
Interest received	0.7	0.7	1.5
Net cash used in investing activities	(7.8)	(7.3)	(10.7)
Financing activities			
Interest paid	(8.5)	(7.5)	(16.2)
Dividends paid	(17.4)	(94.2)	(101.4)
Increase in bank loans	10.0	99.2	106.2
Proceeds on issue of share capital	–	0.7	0.7
Proceeds on issue of shares held by ESOT	0.5	0.3	0.5
Net cash used in financing activities	(15.4)	(1.5)	(10.2)
Net (decrease)/increase in cash and cash equivalents	(11.1)	0.9	10.8
Opening cash and cash equivalents	50.8	40.0	40.0
Closing cash and cash equivalents	39.7	40.9	50.8

Reconciliation of Operating Profit to Net Cash from Operating Activities (Unaudited)

	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	52 weeks to 1 Mar 2008 £m
Operating profit from continuing operations	45.9	41.0	91.8
Operating profit from discontinued operations	–	0.2	0.4
Adjustments for:			
Depreciation of property, plant and equipment	2.8	2.6	5.7
Amortisation of intangible assets	3.2	3.2	6.7
Share option charge	0.8	0.8	1.7
Operating cash flows before movements in working capital	52.7	47.8	106.3
Increase in inventories	(2.7)	(9.4)	(13.2)
Increase in trade and other receivables	(38.5)	(24.8)	(50.8)
Increase in trade and other payables	14.2	20.3	23.0
Pension obligation adjustment	(3.7)	(14.5)	(14.5)
Cash generated by operations	22.0	19.4	50.8
Taxation paid	(9.9)	(9.7)	(19.1)
Net cash from operating activities	12.1	9.7	31.7

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

The group's interim results for the 26 weeks ended 30 August 2008 were approved by the board of directors on 7 October 2008, and have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those disclosed in the annual report & accounts for the 53 weeks ended 1 March 2008.

The condensed consolidated financial statements have not been audited or reviewed by the auditors pursuant to the International Standard on Review Engagements (UK & Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the UK Auditing Practices Board.

The financial information for the 53 weeks ended 1 March 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of those accounts have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

2 Risk and uncertainties

There are a number of risks and uncertainties which could have a material impact on the group's long-term performance. They include 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; changes to the regulatory environment that the business operates under, primarily regulated by the Financial Services Authority and the Office of Fair Trading.

The directors routinely monitor all these risks and uncertainties and appropriate actions are taken to mitigate these risks, such as having business continuity procedures in place, 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 invest continually in updating its systems and infrastructure to keep pace with new technology.

3 Segmental analysis

	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	53 weeks to 1 Mar 2008 £m
Analysis of revenue			
<i>Continuing operations</i>			
Home shopping	322.8	286.8	610.9
Analysis of operating profit			
<i>Continuing operations</i>			
Home shopping	45.9	41.0	91.8

Notes to the Condensed Consolidated Financial Statements

4 Discontinued operations

	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	53weeks to 1 Mar 2008 £m
<i>Revenue</i>			
Fulfilment	–	3.8	8.7
<i>Operating profit</i>			
Fulfilment	–	0.2	0.4
Profit on disposal of discontinued operations	–	–	0.8
Attributable tax charge	–	(0.1)	(0.1)
Net profit attributable to discontinued operations	–	0.1	1.1

5 Taxation

In July 2008 the phasing out of industrial building allowances was substantially enacted into law. This has resulted in an exceptional increase in deferred tax liabilities and related income statement charge of £4.7m.

The taxation charge for the 26 weeks ended 30 August 2008 is based on the estimated effective tax rate for the full year of 28.2% before the inclusion of the exceptional item relating to industrial building allowances.

6 Earnings per share

The calculation of earnings per share from continuing operations is based on the profit for the period from continuing operations of £24.6m (2007, £24.4m) and the weighted average number of shares in issue during the period of 270,732,000 (2007, 268,038,000).

The calculation of earnings per share from continuing and discontinued operations is based on the profit attributable to equity holders of the parent of £24.6m (2007, £24.5m) and the weighted average number of shares in issue during the period of 270,732,000 (2007, 268,038,000).

For diluted earnings per share, the weighted average number of shares of 272,329,000 (2007, 271,281,000) has been calculated after adjusting for the potential dilutive effect of outstanding share options.

The calculation of adjusted earnings per share from continuing operations is based on the profit for the period from continuing operations of £24.6m adjusted for the exceptional tax charge of £4.7m in respect of the phasing out of industrial building allowances which results in adjusted profit of £29.3m.

Notes to the Condensed Consolidated Financial Statements

7 Reconciliation of equity

	26 weeks to 30 Aug 2008 £m	26 weeks to 25 Aug 2007 £m	53 weeks to 1 Mar 2008 £m
Total recognised income for the period	19.0	27.8	64.6
Equity dividends declared	(17.4)	(14.3)	(21.5)
Issue of ordinary share capital	0.3	1.1	1.1
Purchase of own shares by ESOT	(0.3)	(0.4)	(0.4)
Issue of own shares by ESOT	0.5	0.3	0.5
Share option charge	0.8	0.8	1.7
Total movement during the period	2.9	15.3	46.0
Equity at the beginning of the period	248.5	202.5	202.5
Equity at the end of the period	251.4	217.8	248.5

8 Dividends

The directors have declared and approved an interim dividend of 2.78 pence per share (2007, 2.65p). This will be paid on 9 January 2009 to shareholders on the register at the close of business on 12 December 2008.

Responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining twenty six weeks of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Alan White
Chief Executive

Dean Moore
Finance Director

7 October 2008

Notes

Notes

Websites

Young (30-45)

fashionworld.co.uk
simplybe.co.uk
simplyyours.co.uk
naturallyclose.co.uk
classicconfidence.co.uk
newnow.co.uk
vivaladiva.com
jacamo.co.uk

Midlife (45-65)

jdwilliams.co.uk
ambrosewilson.com
oxendales.com
oxendales.ie
fiftyplus.co.uk
shoetailor.com
shapelyfigures.com
classic-detail.co.uk
premierman.com
homeshoppingdirect.com
inspirationalhome.co.uk
petfoodnstuff.com
discountworld.com
houseofbath.co.uk
crazyclearance.co.uk
grayandosbourn.co.uk
marisota.co.uk
homeessentials.co.uk

Elderly (65+)

heathervalley.com
specialcollection.com
nightingales.com

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