

27 April 2010

N Brown Group plc

PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 27 FEBRUARY 2010

N Brown Group plc, the internet and catalogue home shopping company, today announces its full year results for the 52 weeks to 27 February 2010.

Highlights:

• Total Group revenue	£690.0m	+4.2%
• Operating profit	£97.6m	+2.2%
• Adjusted pre-tax profit	£93.1m	+12.6%
• E-commerce sales	£272m	+21%
• Adjusted earnings per share	24.77p	+12.8%
• Full year dividend	10.79p	+17.4%
• Strong growth from Menswear	£67m	+17%
• Like-for-like sales for the eight weeks ended 24 April		+3.1%
• International expansion in the USA		
• Confident outlook for 2010		

Lord Alliance of Manchester, CBE, Chairman, said:

"This is another robust performance from the N Brown Group, despite a challenging economic background. Our strategy to expand our product ranges, enhance our websites and introduce new brands, has helped us achieve growth across all customer groups providing a strong platform for the future. We are particularly encouraged by the +21% growth in online sales which is the key to future success. We are confident we can deliver another good performance in 2010.

Alan White, Chief Executive, added:

"Our focused approach to offer the largest selections of sizes and fittings in clothing and footwear to our targeted customer groups has led to yet another successful year. We have been encouraged by our international trials, and we are pleased to announce that we will enter the US market towards the end of the summer. This year we will maintain our focus on developing online activities, which continues to grow extremely strongly, as well as expanding the range of products for our customers. Our record results are testament to the flexibility and strength of our business model and this gives us continued confidence for the future."

-Ends-

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Chairman's Statement

I am pleased to report another record set of results for N Brown Group for the 52 weeks to 27 February 2010. This highlights the strength of our business and strategy as these results have been delivered during a challenging year due to the economic recession.

Financial Results

Total group revenues increased by 4.2% to £690.0m and by 3.3% on a like- for-like basis, excluding our international business and the sales from High & Mighty which we acquired in September 2009. Internet sales grew by 21% to £272m during the year. Operating profits were up by 2.2% at £97.6m and profits before fair value adjustment to financial instruments and tax were up 12.6% at £93.1m. Profits before tax and after fair value adjustments to financial instruments were £85.7m. Our focus has consistently been on adjusted profit before tax which reflects the underlying performance of the group and the basis on which the business is managed. Adjusted earnings per share have grown by 12.8% to 24.77p.

The board is proposing an unchanged final dividend of 6.41p, which gives a total dividend for the year of 10.79p, up by 17.4%, covered 2.3 times, reflecting our confidence in the business. We decided to rebalance the split between our interim and final dividend payments at the half year and going forward we expect to pay approximately 45% of the full year dividend at the interim stage.

The more cautious approach we applied to credit granting and improvements to our stock-turn ratio have contributed to a £48.2m reduction in our net borrowings to £170.1m. This reduction, combined with lower interest rates, has resulted in net finance costs of only £4.5m (2009, £12.8m), which are covered 21 times by operating profits. Gearing has fallen to 53% (2009, 77%) based on net assets of £319.0m, up 12.7%. Borrowing facilities of £320m remain in place until the first quarter of 2012, the increased headroom giving ample scope for our growth plans.

Trading Highlights

During the year, the key highlights have been:

- Ongoing development of our portfolio of brands targeted on clearly defined customer propositions. In particular we saw strong growth from our newer brands such as Marisota (targeting contemporary, confident women in their 50's) and Jacamo (offering younger branded menswear in larger sizes to the under 45's)
- Growth across all of our major product categories as we continue to develop the ranges around our core strengths in terms of size and fit. We have again continued to see strong demand for our expanded branded and celebrity designed ranges, such as by Mica Paris.
- The strategy to expand our menswear sales led to a 17% increase in revenues from this category. This includes the benefit of the acquisition of the High & Mighty brand and selected assets in September 2009, with its niche offering across 14 high street stores and the internet.
- Further development of our e-commerce activities, which delivered a sales increase of 21% and now account for 39% of the total revenues. They also generate benefits in terms of lower transaction processing costs.
- The successful launch of Simply Be website and catalogue in Germany as we continue to build an international presence.

Corporate Social Responsibility

We recognise that in addition to driving shareholder value it is important that we act as a responsible corporate citizen. To this end we have made great strides in reducing our carbon footprint and overall energy usage, we have a record number of employees engaged in charitable activities, and we continue to refine our ethical sourcing process.

Outlook

Looking forward, we anticipate continued pressure on consumer spending as well as further volatility in global exchange rates and commodity prices. However, as we have demonstrated over many years, the flexibility of our business model and cost base means we are capable of reacting quickly to market trends and this has enabled us to consistently increase sales and profits in recent years.

We will continue to follow a multi-channel strategy, focused on developing market niches through targeted customer offers with products designed to fit their individual needs, followed by active cross-selling promotions.

Additional investment in our online systems will facilitate incremental selling opportunities. In parallel we have an ongoing plan to drive further service enhancements and more delivery options.

We have recently launched two further brands to build our portfolio; That's My Style presents customers in their late 50's with our clothing and footwear ranges displayed in a contemporary format; and Williams and Brown is targeted at the 50-year old man with a classic, but stylish, range of menswear. In addition we plan to develop High & Mighty by combining its revamped high street stores with a strong internet and catalogue offerings. Our international trials will continue with the launch of Simply Be in the USA in late summer 2010 and building our customer base in Germany.

Sales for the 8 weeks to 24 April 2010 are 4.1% up on last year, or 3.1% on a like-for-like basis. We will continue to closely manage the balance between controlled revenue growth and our credit policies in line with the economic environment. This may restrict the potential rate of revenue growth this year but it will also contribute to a reduction in the bad debt charge. The measures we have taken have resulted in a business well-placed to continue growing in the current economic conditions and the board remains confident that the group can make further progress this year.

The strong performance in the last year in a challenging market has only been possible through the commitment and hard work of our management team and staff along with the support of our suppliers and trade union and I would like to thank them all for their excellent contribution.

Lord Alliance of Manchester, CBE
27 April, 2010

Chief Executives Review

Introduction

We have emerged from a challenging year with record results for both revenue and earnings, strong cash generation and a healthy balance sheet which has enabled the board to recommend a substantial increase in the dividend for the year.

For the 52 weeks to 27 February 2010 total revenue was £690.0m, up by 4.2% from the previous year and by 3.3% on a like-for-like basis after adjusting for our new international trial in Germany and the acquisition of High & Mighty in September 2009.

Financial Highlights £m	2009/10	% vs. 2008/9
Revenue	690.0	+4.2
Operating Profit	97.6	+2.2
Adjusted Pre-Tax Profit *	93.1	+12.6
Profit Before Tax	85.7	-7.2
Total Dividend Per Share	10.79p	+17.4
Adjusted Earnings Per Share **	24.77p	+12.8
Net Borrowings	170.1	-22.1
Net Assets	319.0	+12.7

* Excluding fair value adjustments to financial instruments. ** See Note 6

Revenue

We have continued to focus on our core strengths of targeting niche customer groups and delivering relevant products with an emphasis on the correct size and fit, which is reflected in the growth across almost all of the group's core product and customer categories.

Both our established and newer brands have generated revenue growth and there has been a further increase in online sales as a result of the continued focus and investment in e-commerce. In addition we have developed our international business with the successful launch of our Simply Be website and catalogue in Germany.

In a competitive retail market customer loyalty is more precious than ever and so I am delighted we have achieved record levels of customer satisfaction through ongoing improvements to our service offer.

Customer Groups

We are recruiting customers to more than 20 of the brands in our portfolio, each of which has its own distinct target customer profile and product offer. Our brands are grouped into three age ranges:

- Younger – targeting customers aged 30-45 years
- Midlife – targeting customers aged 45-65 years
- Older – targeting customers aged 65 years and above.

Younger

In line with our strategy, the younger customer group has yet again experienced the fastest growth, with sales up 8% to £216m. Simply Be has delivered another good performance, and it remains our largest title within this category, delivering fashionable clothing up to size 32 to women in their 30's. Simply Be's sales include £2.4m of revenues from our German language catalogue and website. Operationally the launch in Germany has gone extremely smoothly, and the product offer has been welcomed by the customers there. Our younger menswear title, Jacamo, one of our newer brands, has doubled its sales in the year, over 70% of them transacted online. Jacamo's results have been driven by an expanded range of branded clothing and footwear, with the larger sizes up to 66" chest and 64" waist usually being supplied exclusively to us.

Midlife

The midlife group of customers had sales of £421m that grew by 4% during the year. Our established brands, such as J D Williams, Ambrose Wilson, Fifty Plus and Oxendales, continued to provide the majority of sales in this category, although the strongest growth came from another one of our newer brands, Marisota. Its offer of contemporary fashion designed to fit real women has proved to be popular and over the last year its sales have

increased by 83%. Our menswear brand Premier Man achieved a 9% increase in sales, as we switched the focus of marketing directly to the male customer himself rather than his female partner.

In September 2009 we acquired the brand and certain assets of High & Mighty, an upmarket menswear retailer in the big and tall niche, from the administrator for a consideration of £1.6m, and we are delighted with the progress so far. The brand recognition is extremely high and we will develop the website and catalogues as complementary to the 14-strong store portfolio.

Older

The older customer group saw a 5% decrease in sales to £53m in line with the performance of the ladieswear market in the UK. During the year we launched Julipa to provide a more substantial offering for the over 65 age group, comprised of all the suitable product lines which were already featured in other group catalogues. The results have been encouraging so far, and it will be further developed in 2010.

Customer Database

The number of our established customers who ordered during the year increased by 2% and the spend per customer also rose by 2%. Part of our conservative stance in 2009 was to hold the level of recruitment expenditure at the same level as in the previous year, as new customers have a higher credit risk. The change to the mix of recruitment between the different brands has resulted in slightly lower sales per new customer.

Product Categories

One of the key tenets of our business is the provision of an extensive range of products, with a high number of options around size, colour, length and fit. By storing over 150,000 options in just two distribution centres we are able to service demand for products even where the rate of sale is low. We have significantly expanded the number of product lines to our customers exclusively on the internet, which is the main reason for a 50% increase in total compared with last year.

Category	Revenue £m	% Growth
Ladieswear	356	1
Footwear	73	9
Menswear	67	17
Home & Leisure	194	4
Total	690	4

Ladies underwear and outerwear account for 52% of our total sales. We offer an extensive range of sizes, which go up to a size 38 with a large proportion available in multiple length options. Over half of our ladieswear sales are in sizes 20 and above, sizes which are hard to find on the high street. We have continued to see growth in our younger titles and hence remain focused on providing a fashionable offer with the availability of designer and branded ranges.

As a result, we have worked with designers such as Caryn Franklin, Anna Sholtz and Jeffrey Rogers, as well as celebrities such as Mica Paris to promote our products. We continue to work with fashion celebrity Gok Wan, who designs a range of shapewear exclusively for our Simply Yours lingerie brand, maintaining our focus on providing fashionable lingerie for women in an extensive range of sizes.

Menswear is a strategic area of focus which has grown rapidly with sales up 17% to £67m. This has been driven by the success of our Jacamo brand and the expansion of our menswear offer in Premier Man. Contributing to the success of both these menswear brands has been the ability to persuade more branded suppliers to produce garments in larger sizes, up to 66" chest and 64" waist, exclusively for our customers. The acquisition of High & Mighty adds to our strength in this area with its upmarket brands such as Ralph Lauren Polo, Animal and Paul & Shark as well as a range of casual and formal wear. Menswear now accounts for 10% of our total sales, but it is still under-represented relative to womenswear revenues and therefore there is still scope for significant growth in the future.

We remain the market leader for wider fitting footwear. We also provide a multi-fit range for customers with odd-shaped feet and offer ladies boots with various calf and ankle fittings, emphasising our devotion to satisfying our customers whatever their shape or size. This year footwear sales increased by 9% with the fastest growth coming from the range developed for our younger customers. We have also produced some of our best selling styles in standard width fittings recognising that some of our ladieswear customers will not necessarily require wider fitting footwear.

Home and leisure sales have grown by 4%, accounting for 28% of total sales. Our Christmas Gifts catalogues were extremely successful and led to strong growth in the sales of gifts and toys, ranges which had been expanded in response to customer feedback. Sales of electrical products grew by 10% despite the tougher criteria we applied to our credit accounts to reduce the risk of bad debts on higher value products.

We have worked with selected suppliers to enable them to upload products directly onto our websites, enabling far more extensive ranges online than had previously been possible with products such as DVDs, computer games, plants and rugs as part of an ongoing programme.

An important part of our strategy is to encourage our customers to shop across our various product ranges. A key measure of this is the proportion of customers who purchase items during the year from each of the ladies clothing, underwear and footwear ranges. These customers not only spend more but also show a higher level of repeat purchasing. We are now expanding this concept to work across all of our ranges through active cross-selling programmes.

E-commerce

With online sales of £272m last year up by 21%, we remain one of the top online retailers in the UK overall and number one for ladies clothing in size 16 and above and for ladies underwear sold over the internet.

The internet is becoming increasingly popular with customers as they become more confident in shopping online and with a strong pipeline of initiatives and systems development, we are well placed to continue to hold our position as a market leader. Average order values online are over 20% higher than for orders placed through other channels, which is due to the wider selection of product available on our websites and the ease with which customers can search and browse our entire offering.

Online sales now account for 39% of total sales compared with 34% the previous year. The internet is at the centre of all our business development. We are encouraging more of our existing customers to transact online, the newer brands all have over 50% online participation and the number of product lines exclusive to the internet has grown dramatically.

Gross Margin and Credit

The group's gross margin is a complex combination of different product and customer segments, including the financial income and bad debts arising from the sales on credit. The overall rate of gross margin declined by 0.7%, with a fall of 1.6% in the first half offset by a 0.1% improvement in the second half.

The rate of gross margin on product sales has been ahead of the prior year, partly due to a lower level of dormant stock to be cleared. The policy to reduce our stock levels during the recession has been vindicated, and at the year end our inventories were 10.6% lower than the previous year at £62.4m.

We have implemented a number of changes to our credit policy during the year, raising the threshold for new account applications, changing payment terms and selectively restricting credit availability, particularly for high value items ordered by our younger customers. The consequence of these actions has been to reduce sales growth but it has also reduced the bad debt charge since implementation, resulting in an improving trend with a lower bad debt rate in the second half than the first half. This trend has continued into the current year.

Overheads

Stringent cost control, process improvements and the greater penetration of online sales have restricted the increase in our distribution, selling and administrative costs to just 2.9%. Distribution costs benefited from a 3% increase in the average item value, due to the mix of sales, and the key ratio of marketing costs to revenue improved through procurement savings.

Customer Service

We have put an even stronger emphasis on great customer service this year to ensure our customers have no reasons to defect to our competitors, especially as there has been an increased level of discounting and promotions in retail generally. Our twice yearly survey demonstrated our success in this aim with the record level of satisfaction achieved since the survey began in 1996. This has been delivered by improvements in the supply chain, faster delivery of parcels, enhanced customer service as well as favourable reviews for product quality and the choice and visual appeal of the catalogues and websites.

Balance Sheet

The group has ended the year with a 12.7% increase in net assets to £319.0m and net borrowings which are down £48.2m to £170.1m, reducing gearing from 77% to 53%. The principal reasons for the cash inflow are the significant reductions in working capital (arising from only a small increase in trade receivables compared with the prior year and lower stock levels) and capital expenditure.

Outlook and Current Trading

The outlook for the UK economy over the next year remains uncertain, whatever the outcome of the general election, as increased taxation and reduced public expenditure are bound to impact disposable incomes. In addition inflationary pressure will impact input prices due to the weakness of sterling and high commodity costs. N Brown Group, however, is well placed to continue its growth with our flexible business model allowing us to adapt quickly to changing market conditions. In addition, our strategy of focusing on niche customer and product groups results in strong customer loyalty and our increasing strength within e-commerce gives us a strong base with which to enter the year ahead.

We have already had a positive start to the year, with sales for the 8 weeks to 24 April 2010 up by 4.1% in total, and 3.1% on a like-for-like basis. Online sales continue their strong growth and now account for over 40% of all sales.

We continue to see development opportunities in our core business focusing on maximising our existing customer relationships as well as launching new brands. These include Williams and Brown, targeted at the classic, but contemporary, fifty year old man, and That's My Style a more contemporary brand name which we believe will be attractive to 60-year old women who want clothing solutions but who have not traditionally been home shopping customers. Early signs for these new brands are positive. We will continue to invest across our brand portfolio and expect to see continued high growth from Marisota and Jacamo in particular.

Similarly we are using more well known brands and celebrities to expand our product offer at the higher price points. In 2010 we will be working with Joe Calzaghe, who will endorse the Jacamo range, and Arlene Phillips, who has designed a range for Marisota which will also be syndicated to other midlife brands.

E-commerce is at the heart of our revenue growth in the next few years, and we have major projects in progress to improve content management, registration, checkout and customer feedback. In addition there is a rolling program of tactical trading initiatives from the exploitation of social media to active cross-selling promotions.

This year will also see further expansion in our international offering. Following on from our trials in Germany, we will be launching Simply Be in the USA in late summer 2010 with a fully transactional website and catalogue offer. The plus size market in the USA is estimated to be worth \$35bn and we believe a gap exists for a younger, fashion focused offer. We will service the orders from our UK base which significantly reduces the cost of the launch.

Having nursed the High & Mighty business through the immediate post-administration phase we are now looking to develop it positively. In 2010 we will look to open up to three new stores and relocate or refurbish at least another six of the fourteen stores we acquired. The product synergies within our total menswear range are being selectively exploited and we have started to produce catalogues which can be actioned through the stores, call centre or High & Mighty website, with the latter migrating to our internet platform this summer.

The performance of the group last year is a result of the expertise, creativity and endeavour of everyone who works at N Brown Group, and on behalf of the directors I cannot praise them enough for their efforts in guiding the business through a difficult external environment.

The current year will be no less challenging but if we maintain the focus on our niche customers and products, develop our online activities and progress our international trials I am sure we will enjoy another good year.

Alan White
27 April 2010

Unaudited condensed consolidated income statement

	Note	52 weeks to 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Revenue	4	690.0	662.5
Operating profit	4	97.6	95.5
Investment income		2.9	4.1
Finance costs		(7.4)	(16.9)
Profit before taxation and fair value adjustments to financial instruments		93.1	82.7
Fair value adjustments to financial instruments	5	(7.4)	9.6
Profit before taxation		85.7	92.3
Taxation		(23.2)	(30.2)
Profit attributable to equity holders of the parent		62.5	62.1
Adjusted earnings per share	6		
Basic		24.77 p	21.96 p
Diluted		24.73 p	21.90 p
Earnings per share	6		
Basic		22.83 p	22.88 p
Diluted		22.79 p	22.82 p

Unaudited condensed consolidated statement of comprehensive income

	52 weeks to 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Profit for the period	62.5	62.1
Other items of comprehensive income		
Exchange differences on translation of foreign operations	(0.2)	1.7
Actuarial losses on defined benefit pension schemes	(1.2)	(1.7)
Tax relating to components of other comprehensive income	<u>0.3</u>	<u>0.5</u>
	(1.1)	0.5
Total comprehensive income for the period attributable to equity holders of the parent	<u>61.4</u>	<u>62.6</u>

Unaudited condensed consolidated balance sheet

	27-Feb-10 £m	28-Feb-09 £m <i>Restated</i> <i>(see note 1)</i>	01-Mar-08 £m <i>Restated</i> <i>(see note 1)</i>
Non-current assets			
Intangible assets	36.3	32.8	30.9
Property, plant & equipment	68.9	75.0	70.5
Deferred tax assets	3.6	6.7	9.1
	<u>108.8</u>	<u>114.5</u>	<u>110.5</u>
Current assets			
Inventories	62.4	69.8	68.1
Trade and other receivables	461.3	451.5	402.0
Derivative financial instruments	2.3	9.7	0.1
Cash and cash equivalents	59.9	51.7	50.8
	<u>585.9</u>	<u>582.7</u>	<u>521.0</u>
Total assets	<u>694.7</u>	<u>697.2</u>	<u>631.5</u>
Current liabilities			
Bank overdrafts	-	-	(0.2)
Trade and other payables	(105.4)	(106.1)	(106.7)
Current tax liability	(24.1)	(13.8)	(13.2)
	<u>(129.5)</u>	<u>(119.9)</u>	<u>(120.1)</u>
Net current assets	<u>456.4</u>	<u>462.8</u>	<u>400.9</u>
Non-current liabilities			
Bank loans	(230.0)	(270.0)	(250.0)
Retirement benefit obligation	(1.8)	(4.0)	(5.8)
Deferred tax liabilities	(14.4)	(20.3)	(12.4)
	<u>(246.2)</u>	<u>(294.3)</u>	<u>(268.2)</u>
Total liabilities	<u>(375.7)</u>	<u>(414.2)</u>	<u>(388.3)</u>
Net assets	<u>319.0</u>	<u>283.0</u>	<u>243.2</u>
Equity			
Share capital	30.8	30.3	30.0
Share premium account	11.0	11.0	11.0
Own shares	(0.4)	(0.2)	(0.1)
Foreign currency translation reserve	2.7	2.9	1.2
Retained earnings	274.9	239.0	201.1
Total equity	<u>319.0</u>	<u>283.0</u>	<u>243.2</u>

Unaudited condensed consolidated cash flow statement

	52 weeks to 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Net cash from operating activities	91.7	38.7
Investing activities		
Proceeds on disposal of property, plant and equipment	1.9	-
Purchases of property, plant and equipment	(2.4)	(12.9)
Purchases of intangible assets	(10.8)	(8.3)
Interest received	0.1	1.0
Net cash used in investing activities	(11.2)	(20.2)
Financing activities		
Interest paid	(4.0)	(13.1)
Dividends paid	(29.5)	(24.9)
(Decrease)/increase in bank loans	(40.0)	20.0
Decrease in bank overdrafts	-	(0.2)
Proceeds on issue of shares held by ESOT	1.2	0.6
Net cash used in financing activities	(72.3)	(17.6)
Net increase/(decrease) in cash and cash equivalents	8.2	0.9
Opening cash and cash equivalents	51.7	50.8
Closing cash and cash equivalents	59.9	51.7

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Operating profit	97.6	95.5
Adjustments for:		
Depreciation of property, plant and equipment	7.0	5.8
Profit on disposal of property, plant and equipment	(0.4)	-
Amortisation of intangible assets	7.3	6.4
Share option charge	1.9	1.8
Operating cash flows before movements in working capital	113.4	109.5
Decrease/(increase) in inventories	7.4	(1.7)
Increase in trade and other receivables	(10.2)	(51.1)
(Decrease)/increase in trade and other payables	(0.5)	5.0
Pension obligation adjustment	(4.0)	(3.9)
Cash generated by operations	106.1	57.8
Taxation paid	(14.4)	(19.1)
Net cash from operating activities	91.7	38.7

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 27 February 2010						
Balance at 28 February 2009 as previously stated	30.3	11.0	(0.2)	2.9	244.3	288.3
Change in accounting policy (Note 1)	-	-	-	-	(5.3)	(5.3)
Restated balance as at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0
Profit for the period	-	-	-	-	62.5	62.5
Other items of comprehensive income for the period	-	-	-	-	(1.1)	(1.1)
Total comprehensive income for the period	-	-	-	-	61.4	61.4
Equity dividends declared	-	-	-	-	(29.5)	(29.5)
Issue of ordinary share capital	0.5	-	-	-	-	0.5
Purchase of own shares by ESOT	-	-	(0.5)	-	-	(0.5)
Issue of own shares by ESOT	-	-	0.3	-	-	0.3
Adjustment to equity for share payments	-	-	-	-	0.9	0.9
Exchange difference on translation of overseas operations	-	-	-	(0.2)	0.2	-
Share option charge	-	-	-	-	1.9	1.9
Tax on items recognised directly in equity	-	-	-	-	1.0	1.0
Balance at 27 February 2010	30.8	11.0	(0.4)	2.7	274.9	319.0

Unaudited condensed consolidated statement of changes in equity (continued)

	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 28 February 2009						
Balance at 1 March 2008 as previously stated	30.0	11.0	(0.1)	1.2	206.4	248.5
Change in accounting policy (Note 1)	-	-	-	-	(5.3)	(5.3)
Restated balance as at 1 March 2008	30.0	11.0	(0.1)	1.2	201.1	243.2
Profit for the period	-	-	-	-	62.1	62.1
Other items of comprehensive income for the period	-	-	-	-	0.5	0.5
Total comprehensive income for the period	-	-	-	-	62.6	62.6
Equity dividends declared	-	-	-	-	(24.9)	(24.9)
Issue of ordinary share capital	0.3	-	-	-	-	0.3
Purchase of own shares by ESOT	-	-	(0.3)	-	-	(0.3)
Issue of own shares by ESOT	-	-	0.2	-	-	0.2
Adjustment to equity for share payments	-	-	-	-	0.4	0.4
Exchange difference on translation of overseas operations	-	-	-	1.7	(1.7)	-
Share option charge	-	-	-	-	1.8	1.8
Tax on items recognised directly in equity	-	-	-	-	(0.3)	(0.3)
Balance at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

The group's financial statements for the 52 weeks ended 27 February 2010 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 28 May 2010.

Adoption of new and revised standards

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 52 weeks ended 28 February 2009 other than that as set out below.

Amendment to IAS 38 – Intangible Assets. IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for marketing or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues have been specifically identified as a form of advertising and promotional activities. In the past, the group recognised inventories of catalogues held as an asset up to the date of despatch to the customer as prepaid expenses. As a result of this change in accounting policy the comparative amounts have been restated, as follows:

	52 weeks to 28-Feb-09	53 weeks to 01-Mar-08
	£m	£m
Retained earnings as previously reported	244.3	206.4
Reduction in trade and other receivables	(7.3)	(4.2)
Increase in trade and other payables	-	(3.1)
Increase in deferred tax asset	2.0	2.0
Retained earnings as restated	<u>239.0</u>	<u>201.1</u>

The net impact of £5.3m on the balance sheet for each prior period was the same and therefore there is no impact on the reported profits for the prior period.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement separate from the Income Statement and Statement of Comprehensive Income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in equity for each period presented.

IFRS 8 - Operating Segments. The reporting requirements of IFRS 8 has been adopted in the current year. IFRS 8 concerns the disclosure and presentation of information that allows users of its financial statements to evaluate the nature and financial effects of the business activities of the group. It has not affected the measurement of the group's profit, assets or liabilities. The group has only one reportable business segment which is home shopping.

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 and 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; changes to the regulatory environment in which the business operates, 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 continually invest in updating the group's business systems and infrastructure to keep pace with new technology.

Notes to the unaudited condensed consolidated financial statements

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 its financial position including cash flows, liquidity position and 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. As such, 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 risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate will have on the performance of the group's 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 £320m which are committed until early in 2012. It is the group's intention to open renewal negotiations with its bankers in the next twelve months to ensure appropriate levels of committed funds matching the group's medium term financing requirements are in place beyond 2012.

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.

4. Business segments

	52 Weeks to 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Analysis of revenue - Home shopping		
Sale of goods	499.6	481.3
Rendering of services	190.4	181.2
	690.0	662.5
Analysis of result		
Segment result & operating profit - Home shopping	97.6	95.5
Investment income	2.9	4.1
Finance costs	(7.4)	(16.9)
Fair value adjustments to financial instruments	(7.4)	9.6
	85.7	92.3

The group has one business segment and one geographical segment that operates in the United Kingdom and Ireland.

Notes to the unaudited condensed consolidated financial statements

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 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Notional Amount - Sterling contract value	<u>37.3</u>	<u>36.0</u>
Fair value of asset recognised	<u>2.3</u>	<u>9.7</u>

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £7.4m (2009, gain of £9.6m) 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.

6. Earnings per share

Earnings	52 weeks to 27-Feb-10 £m	52 weeks to 28-Feb-09 £m
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	62.5	62.1
Impact of exceptional tax charge in respect of the phasing out of IBAs	-	4.4
Fair value adjustment to financial instruments (net of tax)	5.3	(6.9)
Net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	<u>67.8</u>	<u>59.6</u>
Number of shares	52 weeks to 27-Feb-10 No. ('000s)	52 weeks to 28-Feb-09 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	273,772	271,413
Effect of dilutive potential ordinary shares:		
Share options	435	728
Weighted average number of shares in issue for the purpose of diluted earnings per share	<u>274,207</u>	<u>272,141</u>

Notes to the unaudited condensed consolidated financial statements

7. Dividends

The final recommended dividend is proposed to be paid on 30 July 2010 to shareholders on the register at the close of business on 2 July 2010.

8. 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 27 February 2010 or the 52 weeks ended 28 February 2009. The financial information for the 52 weeks ended 28 February 2009 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 s237(2) or (3) Companies Act 1985. The audit of the statutory accounts for the 52 weeks ended 27 February 2010 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 27 April 2010.