10 May 2011

N Brown Group plc

FULL YEAR RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 26 FEBRUARY 2011

N Brown Group plc, the internet and catalogue home shopping company, today announces its full year results for the 52 weeks to 26 February 2011.

Highlights:

• Total group revenue	**£718.8m**	**+4.2%**
• Operating profit	**£102.6m**	**+5.1%**
• Profit before tax and fair value adjustment to financial instruments	**£98.2m**	**+5.5%**
• Adjusted earnings per share	**27.02p**	**+9.1%**
• Full year dividend	**12.41p**	**+15%**
• E-commerce sales	**£324m**	**+19%**
• Like-for-like sales for the 10 weeks ended 7 May		**+1.5%**
• Positive start to the launch of Simply Be in the USA		

Lord Alliance of Manchester, CBE, Chairman, said:

“We are pleased to announce another robust group performance in what can only be described as difficult trading conditions, and we are also encouraged by the good start to the new financial year. There is no doubt the UK consumer will be facing a tough time, with rising costs and falling income, but we are confident our strategy to focus on our core business, whilst investing in new brands and pushing forward internationally, will continue to deliver in 2011. I would personally like to thank everyone involved with the company for their ongoing hard work and support this year.”

Alan White, Chief Executive, added:

”Last year was a very busy one for the group, as we acquired Figleaves, developed High & Mighty stores, launched our Simply Be brand in the USA, as well as driving growth from our established brands. We have been rewarded with record results, both in terms of revenue and profit, for the seventh consecutive year. Our key focus this year will be to expand our home shopping business, both in the UK and internationally, particularly by further developing our online activities. While the current year will be challenging, I am confident this strategy will deliver another good result this year.”

-Ends-

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Chairman's Statement

I am pleased to report that the group has continued to make good progress in the 52 weeks to 26 February 2011. This has been achieved against a challenging economic backdrop by focussing on our core business whilst investing in our recent acquisitions and international expansion.

Financial results

Total group revenues increased by 4.2% to £718.8m and by 1.3% on a like-for-like basis, excluding the sales from our recent acquisitions, High & Mighty and Figleaves. Revenue growth has been restricted by the more conservative credit policies we adopted for higher value items but this has been a major contributor to the improved net bad debt charge to sales ratio which has fallen from 9.0% to 7.4%. This in turn is the main reason why we have managed to achieve a gross margin rate of 53.8%, up by 1.3% from last years rate of 52.5%.

Operating profit is up by 5.1% to £102.6m giving an operating margin of 14.3% (2010, 14.1%). Profit before taxation is up 10.3% to £94.5m, or by 5.5% to £98.2m, after excluding fair value adjustments to financial instruments. Adjusted earnings per share are up by 9.1% to 27.02p.

The board has a medium term target for full year dividend cover of twice earnings per share and to this end it is proposing a final dividend of 7.37p, up by 15.0%. This gives a total dividend for the year of 12.41p, up by 15.0% and covered 2.2 times.

Net borrowings at 26 February 2011 were £180.9m, an increase of £10.8m from a year earlier. The principal reasons for the increase were the acquisition of Figleaves for £10.3m, higher levels of capital expenditure, predominantly to create state-of-the-art online functionality, and working capital, principally due to an accelerated intake of stock. Net finance costs have remained flat at £4.4m, covered 23 times by operating profits. Gearing has fallen from 53% to 50% on net assets which have risen by 13.0% to £360.4m. We have renegotiated a £200m securitisation facility for five years with HSBC a year ahead of schedule in order to avoid the risk of any turmoil in financial markets at a later date, albeit at a higher interest margin than we were paying previously.

Trading Highlights

During the year the highlights have been:

- Continued improvement in our targeted brand portfolio, with notable performances from Marisota, Jacamo and House of Bath
- Growth across all of our major product categories as we expand the ranges both online and in the catalogues. Both menswear and footwear did especially well, with sales up 25% and 10% respectively
- A 19% increase to £324m in e-commerce sales, which now account for 45% of total revenue
- Growing the Simply Be brand domestically and internationally with the launch in the USA in August 2010 to complement the growing German operation
- The acquisition of Figleaves and development of High & Mighty

Corporate Social Responsibility

Activities demonstrating our corporate social responsibility are at an all time high. We are now ranked in the top quartile of retailers for our environmental behaviour, and continue to reduce our carbon footprint. The scale of charitable activities undertaken by our employees, both in donations and participation, is at record levels. We continue to strengthen our ethical sourcing policies and procedures.

Outlook

The UK consumer is facing rising costs and falling incomes in 2011, but we anticipate a slow but steady rising trend in disposable income thereafter. The cost of goods from the Far East has risen sharply as a result of increases in labour costs and commodities, such as cotton. We are doing everything we can to cushion our customers from these rising costs but inevitably, in line with the entire clothing retail sector, there will have to be increases in selling prices. Furthermore we anticipate an increased level of targeted promotional campaigns may be needed to stimulate sales activity at various times during the year.

In our core home shopping business we continue to see the development of our online activities as the key to growth, since this enables us to have a wider product range and greater flexibility to change our promotional focus cost effectively. We will also be exploring the benefits of full multi-channel capability by trialling three concept stores during the year for our Simply Be brand. Success will be determined by whether the cost is justified by the incremental customers and revenue generated across all channels.

We expect further improvements in the trading performances of our two most recent acquisitions, Figleaves and High & Mighty, where we have been investing in systems and store openings respectively, as well as product development. International expansion of our Simply Be brand is an important element of the group's growth strategy. We have been encouraged by the first few months' trading in the USA and are planning to double our planned marketing spend this year to accelerate the rate of growth. Sales from Simply Be in Germany were up by 41% although returns rates remain higher than we would like.

Sales for the 10 weeks to 7 May 2011 are 4.8% up on last year or up by 1.5% on a like-for-like basis. This includes the distorting effects of the late Easter, the Royal Wedding and the warm April weather. We have also managed to maintain the rate of gross margin during this period, despite a 9% rise in cost prices and a higher rate of VAT. We believe that a combination of a strong focus on our chosen customer and product groups, coupled with growing our online penetration, enhancing our recent acquisitions and building Simply Be in international markets will continue to put N Brown amongst the leading clothing retailers, and leave us well positioned for when the market improves.

The group has, yet again, performed well in difficult economic conditions, which is a testimony to the efforts of everyone who works in the business and the support from our suppliers and trade union. I would like to thank them all for their excellent contribution.

Lord Alliance of Manchester, CBE
10 May, 2011

Chief Executives Review

Record results for revenue and profits, the acquisition of Figleaves and the launch of Simply Be in the USA demonstrate that this has been another exciting and positive year for the group.

Financial Highlights £m	**2011**	**% Growth**
Revenue	718.8	+4.2
Operating Profit	102.6	+5.1
Adjusted Pre-Tax Profit *	98.2	+5.5
Profit Before Tax	94.5	+10.3
Total Dividend Per Share	12.41p	+15.0
Adjusted Earnings Per Share*	27.02p	+9.1
Net Borrowings	180.9	+6.3
Net Assets	360.4	+13.0

* Excluding fair value adjustments to financial instruments

Revenue

Revenue for the 52 weeks to 26 February 2011 is up by 4.2% to £718.8m in total, and by 1.3% on a like-for-like basis, excluding the impact of the acquisition of High & Mighty and Figleaves.

These results have been achieved in a period when consumer confidence has been at very low levels so to deliver positive like-for-like growth is encouraging. It has required us to focus on the areas of our business with the highest growth potential and allocate the marketing investment accordingly. All of our brands have a very clear proposition and points of difference which encourages customer loyalty. In addition we have concentrated on driving sales through the online channel recognising that multi-channel customers spend more and cost less to service. We have continued the overseas expansion of Simply Be, launching in the USA in addition to our German operations. Finally, we have continued to rejuvenate High & Mighty and the acquisition of Figleaves in June 2010 has enhanced our strong position in the online lingerie market.

Customer Groups

The younger brands, targeted at customers aged between 30 and 45 years of age continued to be the fastest growing part of the overall portfolio. Sales, including the first time contribution from Figleaves, were up by 11% to £240m, or 4% on a like-for-like basis accounting for 33% of group sales. Simply Be reached revenues of £100m for the first time with growth in the UK and international markets. Jacamo offers a mix of branded and unbranded fashionable menswear, all in a very wide range of sizes through to 5XL, and was the fastest growing brand with total revenue up by 66%, backed by substantial expenditure on customer recruitment from television advertising and online search. A number of the younger brands, such as Fashion World, lost sales due to more conservative credit policies, which particularly impacted the higher-priced home and leisure products.

Sales from the mid-life brands, targeted at customers aged 45-65 grew by 2% to £431m, accounting for 60% of group sales. J D Williams, the traditional core of the business, had revenue slightly below last year but this was more than offset by good performances from the menswear brands, Premier Man and Williams & Brown, and growth of 16% in sales at House of Bath, which sells unusual home and garden items. Marisota continued its strong growth by attracting customers to its ladieswear and footwear ranges based on our expertise in sizing and fit, as well as fashionability, for the 45-plus woman.

The older titles declined by 9% to £48m, although this now only represents 7% of group revenues. We switched much of the recruitment activity from Heather Valley, Special Collection and Nightingales to Julipa, which has a more comprehensive range of products. However the target customer is finding economic conditions tough and this age-group has been an underperforming part of the retail sector generally. Gray & Osbourn struggled in 2010 for this same reason but finished the year on a high with encouraging results from the refreshed Spring 2011 catalogues.

Customer Base

We have a customer base of over 6m who have purchased at least once in the last two years. The sales per customer from the established customer base was up by a healthy 4%, a function of the sales mix favouring higher value clothing and footwear. The number of active established customers fell by 3% as we switched some of our marketing activity from reactivation of lapsed established customers to new customer recruitment, where the sales rose by 4%.

Product Categories

We have a very high number of stock options in order to accommodate womens clothing from size 10 to 38, lingerie from A-L Cup and 34" to 58" back size, menswear from 38" to 70" chest measurements, and footwear in a vast array of width fittings as well as lengths, up to size 9 for ladies and 15 for men. Our ability to have clothing and footwear to fit our customers, regardless of their size or shape, is a fundamental point of difference to our competitors. The range has been expanded even more this year as, using the online integration software we have developed internally, we have enabled our suppliers to upload a further 30,000 product lines onto our websites. All of these extra products are delivered directly by the supplier to the customer, giving incremental sales without increasing working capital.

	Revenue	% of Total	% Change
Ladieswear	361	50	+1
Footwear	80	11	+10
Menswear	84	12	+25
Home & Leisure	194	27	-
	719	**100**	**+4**

Ladieswear sales have been mixed. Fashionable clothing for our younger customers, including our own brand fast fashion online collections and sportswear, has done well. Customers have opted to buy the exclusive branded or celebrity-inspired ranges relative to the core lines. This suggests that customers are extending the replacement cycle on basic clothing, such as jeans, trousers, knitwear, outerwear and jersey tops, and concentrating their disposable income on pieces with an impact factor. Even within the basic categories the mix of sales has moved towards garments with unique features such as our "Magifit" control jeans, trousers and skirts. The situation was similar with lingerie sales. Figleaves saw like-for-like sales growth to the younger, more affluent customers but the sales of core basic bra packs were below last year's level.

In contrast menswear sales were strong in all areas, recording a 25% increase in aggregate. The strongest growth was in the younger menswear and sportswear where sales were up over 40%, but even the core menswear range was up by 9%.

Footwear sales rose by 10%, with good growth in all areas. We saw exceptional growth in footwear sales from our younger brands as we expanded the range in response to the demands of our Simply Be customers. Men's footwear has previously been under-represented in the mix of sales but is now growing rapidly.

Home and leisure sales were flat on last year. There were strong performances in gifts and homewares but the impact of asking for deposits on higher value furniture and electrical items reduced sales by £4m. The benefit of this policy is seen in the increased rate of gross margin from lower bad debts.

One of the notable features last year was the 7% increase in average selling prices. Whilst some of this is a function of increased prices from our suppliers in the Far East, much of it was due to the mix of sales favouring higher value lines.

Online Sales

The value of sales transacted online totalled £324m, up by 19%, maintaining our position as one of the top online retailers. We are ranked number one online for ladies clothing in size 16 and above, for the 50-plus age group and for ladies underwear. One of our key corporate objectives last year was to drive up the proportion of online business as we achieve incremental sales and reduced operating costs. To this end we invested £10m in upgrading our online systems, the benefits of which will be realised over the next few years. For example we re-wrote the registration and checkout pages which resulted in increases in attributable conversion rates. In addition we have reorganised the buying and marketing functions to give greater emphasis to online trading relative to the catalogues.

Online sales now account for 45% of total revenues, compared with 39% last year, and they have overtaken the value of orders taken in our contact centres, with the balance coming by post. In the coming year we expect online sales to account for the majority of all sales. The growth is coming from all age groups but in the next few years we are aiming to grow the proportion of online sales from our mid-life customers, currently 37%, as the younger customers are already at 64%, including some brands which are almost at 80%.

Gross Margin and Credit

Credit is an important part of the offer to our customer, and the income of £195m (up 2.5%) derived from our debtor book accounts for 27% of total group revenues. Approximately two-thirds of sales are made by customers who use the credit facilities, although in customer numbers it is less than half.

Bad debts rose during the recession but the changes we made to credit policies on customer vetting, credit limits and collections in the wake of this increased default risk have been effective. In the 52 weeks ended 26 February 2011 the charge for bad debts fell by £9.1m to £53.1m, reducing the net bad debt charge to sales ratio from 9.0% to 7.4%. Inevitably the credit restrictions have reduced sales growth but we believe the balance between risk and reward on the credit book is now about right.

The overall rate of gross margin is 53.8%, up from 52.5% last year. The bulk of this improvement is the result of the lower bad debt rate, although the margin on product is also slightly favourable despite a higher level of promotional activity in the sector from our competitors.

Supply Chain

The last year has been the most challenging our buying team has faced for many years. There has been a step change in the price of goods from the Far East, driven principally by a reduction in capacity in China, a 160% increase in the price of cotton during the year, and significant price rises in other raw materials, especially those linked to the price of oil such as polyester and acrylic fibres. This has led to a squeeze on capacity in markets, such as Bangladesh, as retailers looked for alternative, lower labour cost markets to offset the price rises. Some of the rises in commodity prices are cyclical and we expect to see the price of cotton moderate by 2012 but the changes in the labour markets are structural and signal the end of the regular deflation in clothing prices we have enjoyed for the last 15 years. We have been doing everything we can to mitigate the price increases for our customers through negotiation with suppliers, moving between markets and garment re-engineering, but we still expect to see price increases of around 9% in 2011. However we also expect to see customers continuing to focus their spending on the clothing lines which clearly make a fashion statement, which will favour branded, celebrity-designed and higher-priced ranges which will increase the average selling price even further.

We have finished the year with stock levels up 18.1% on last year, excluding the stock acquired for Figleaves. There was a conscious decision to bring Spring/Summer 2011 stock in earlier than in 2010 because of the volatility in the supply chain we experienced in the autumn, to ensure high levels of stock availability for customer orders. As commodity prices settle down we would expect a return to normal lead times.

Overheads

Costs have been contained at the previous year's level with the exception of marketing costs where we spent 9% more to increase customer recruitment, promote Simply Be abroad, and support the growing brands like Jacamo and Marisota. Distribution costs benefited from higher average order values due to higher selling prices and the switch to online. We have moved all our parcel deliveries to Hermes resulting in improvements to both service and costs.

Customer Service

The vast majority of our key performance indicators were positive with improvement in the contact centres, online service and distribution. This was despite the disruption in December from the bad weather and the mailing delays to catalogues and statements experienced subsequently. We are now asking customers to submit product reviews online which will give us early indicators of any quality issues, but so far the vast majority of comments posted are highly complimentary. We will continue to focus on further improvements to the quality of our service and increasing the options available to our customers.

International

Our international strategy is based on utilising existing product lines and images from our Simply Be brand, and distributing direct to the overseas customer from our UK warehouses. This should allow us to break even by year 3 or 4 assuming we can recruit reasonable volumes of customers at an acceptable cost per customer.

Revenues from our Simply Be brand in Germany and the USA totalled £4.2m (2010, £2.4m), over 70% of which was transacted online. In Germany sales were up by 41% and we reduced the rate of returns by two percentage points but at 61% it is still higher than we would like. The new season has started well and we anticipate a further increase in revenue, which, coupled with cost efficiencies, will reduce the losses this year.

We launched Simply Be in the USA through the distribution of 1 million catalogues to targeted customer lists during the autumn of 2010. Revenues in the USA were just under £1m, and the low rate of returns and high gross margin are both encouraging. Based on these early positive indications we are planning to despatch 3 million catalogues in Summer 2011 and have started to increase the online activity. We will be accelerating our recruitment plans further in the autumn campaigns.

Acquisitions

Figleaves, the leading online lingerie retailer, was acquired in June 2010 for a net cash consideration of £10.3m. Since then we have achieved revenues of over £16m, a 4% like-for-like increase for the business, on which we incurred an underlying loss of £0.9m. The strategy is to build up the proportion of own brand sales from the current 17% level and to expand the product ranges offered to the customer, either through organic development or alternatively from those products already within the group.

High & Mighty was acquired out of administration in September 2009 for a consideration of £1.6m. Sales of over £7m and losses of £0.8m represented good progress for the first full year, with like-for-like store sales up by 8%. It was a busy year with three of the fourteen stores relocated, three more refurbished and three new stores opened in Liverpool, Newcastle and Belfast. We have migrated the website onto the N Brown platform and we are now seeing positive growth in online sales.

Outlook and Current Trading

We will continue with our strategy of focusing on our core home shopping business in the UK whilst establishing the Simply Be brand in the USA and Germany and turning Figleaves and High & Mighty into profitable businesses. The combination of lower disposable incomes and cost inflation will put consumer spending under severe pressure, but we believe our strategy of focusing on niche customer and product groups, coupled with our credit offer, is the right one.

Within the core business we expect to see continued high growth rates from Marisota and Jacamo, and we have launched a new brand, Fabrici, which offers a range of clothes with natural fibres, such as linen and silk, at higher price points. We will again be working with a number of celebrities and designers on capsule ranges, including an expanded range from Arlene Philips.

E-commerce remains fundamental to the growth of the business and we will be continuing our investment program to upgrade and exploit the online platform. We will complete the new content management system by the summer which will provide a platform for greater personalisation of the websites in the future as well as speeding up the publication of new offers, products and promotions.

N Brown Group's extensive portfolio of brands, allied with the credit offer, means it is a complex business to manage. However, we have a loyal and experienced management and workforce, and everyone who works in the business can take immense credit for producing increased revenues and profits for a seventh consecutive year, despite the unhelpful economic environment. The current year will be at least as challenging but I am confident that our strategy will develop new areas for future growth and deliver another good result.

Alan White, Chief Executive
10 May, 2011

Unaudited condensed consolidated income statement

	Note	**52 weeks to 26-Feb-11 £m**	52 weeks to 27-Feb-10 £m
Revenue	4	**718.8**	690.0
Operating profit	4	**102.6**	97.6
Investment income		**4.1**	2.9
Finance costs		**(8.5)**	(7.4)
Profit before taxation and fair value adjustments to financial instruments		**98.2**	93.1
Fair value adjustments to financial instruments	5	**(3.7)**	(7.4)
Profit before taxation		**94.5**	85.7
Taxation	6	**(22.8)**	(23.2)
Profit attributable to equity holders of the parent		**71.7**	62.5
Adjusted earnings per share	8		
Basic		**27.02 p**	24.77 p
Diluted		**26.98 p**	24.73 p
Earnings per share	8		
Basic		**26.04 p**	22.83 p
Diluted		**26.00 p**	22.79 p

Unaudited condensed consolidated statement of comprehensive income

	52 weeks to 26-Feb-11 £m	52 weeks to 27-Feb-10 £m
Profit for the period	**71.7**	62.5
Other items of comprehensive income		
Exchange differences on translation of foreign operations	**(0.6)**	(0.2)
Actuarial losses on defined benefit pension schemes	**(2.3)**	(1.2)
Tax relating to components of other comprehensive income	**0.6**	0.3
	(2.3)	(1.1)
Total comprehensive income for the period attributable to equity holders of the parent	**69.4**	61.4

Unaudited condensed consolidated balance sheet

	26-Feb-11	27-Feb-10
	£m	£m
Non-current assets		
Intangible assets	**52.2**	36.3
Property, plant & equipment	**69.1**	68.9
Retirement benefit surplus	**3.3**	-
Deferred tax assets	**3.5**	3.6
	128.1	108.8
Current assets		
Inventories	**78.1**	62.4
Trade and other receivables	**490.8**	461.3
Derivative financial instruments	**-**	2.3
Cash and cash equivalents	**49.1**	59.9
	618.0	585.9
Total assets	**746.1**	694.7
Current liabilities		
Bank loans and overdrafts	**(40.0)**	-
Trade and other payables	**(114.5)**	(105.4)
Derivative financial instruments	**(1.4)**	-
Current tax liability	**(28.8)**	(24.1)
	(184.7)	(129.5)
Net current assets	**433.3**	456.4
Non-current liabilities		
Bank loans	**(190.0)**	(230.0)
Retirement benefit obligation	**-**	(1.8)
Deferred tax liabilities	**(11.0)**	(14.4)
	(201.0)	(246.2)
Total liabilities	**(385.7)**	(375.7)
Net assets	**360.4**	319.0
Equity		
Share capital	**31.0**	30.8
Share premium account	**11.0**	11.0
Own shares	**(1.2)**	(0.4)
Foreign currency translation reserve	**2.1**	2.7
Retained earnings	**317.5**	274.9
Total equity	**360.4**	319.0

Unaudited condensed consolidated cash flow statement

	52 weeks to 26-Feb-11 £m	52 weeks to 27-Feb-10 £m
Net cash from operating activities	**57.4**	91.7
Investing activities		
Purchases of property, plant and equipment	**(6.4)**	(2.4)
Purchases of intangible assets	**(15.7)**	(10.8)
Acquisition of subsidiary	**(10.3)**	-
Proceeds on disposal of property, plant and equipment	**-**	1.9
Interest received	**0.2**	0.1
Net cash used in investing activities	**(32.2)**	(11.2)
Financing activities		
Interest paid	**(4.2)**	(4.0)
Dividends paid	**(31.5)**	(29.5)
Decrease in bank loans	**-**	(40.0)
Purchase of shares by ESOT	**(0.8)**	-
Proceeds on issue of shares held by ESOT	**0.5**	1.2
Net cash used in financing activities	**(36.0)**	(72.3)
Net (decrease)/increase in cash and cash equivalents	**(10.8)**	8.2
Opening cash and cash equivalents	**59.9**	51.7
Closing cash and cash equivalents	**49.1**	59.9

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 26-Feb-11 £m	52 weeks to 27-Feb-10 £m
Operating profit	**102.6**	97.6
Adjustments for:		
Depreciation of property, plant and equipment	**7.8**	7.0
Profit on disposal of property, plant and equipment	**-**	(0.4)
Amortisation of intangible assets	**6.9**	7.3
Share option charge	**2.1**	1.9
Operating cash flows before movements in working capital	**119.4**	113.4
(Increase)/decrease in inventories	**(12.0)**	7.4
Increase in trade and other receivables	**(29.8)**	(10.2)
Increase/(decrease) in trade and other payables	**3.7**	(0.5)
Pension obligation adjustment	**(7.4)**	(4.0)
Cash generated by operations	**73.9**	106.1
Taxation paid	**(16.5)**	(14.4)
Net cash from operating activities	**57.4**	91.7

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 26 February 2011						
Balance as at 27 February 2010	30.8	11.0	(0.4)	2.7	274.9	**319.0**
Profit for the period	-	-	-	-	71.7	**71.7**
Other items of comprehensive income for the period	-	-	-	(0.6)	(1.7)	**(2.3)**
Total comprehensive income for the period	-	-	-	(0.6)	70.0	**69.4**
Equity dividends	-	-	-	-	(31.5)	**(31.5)**
Issue of ordinary share capital	0.2	-	-	-	-	**0.2**
Purchase of own shares by ESOT	-	-	(1.0)	-	-	**(1.0)**
Issue of own shares by ESOT	-	-	0.2	-	-	**0.2**
Adjustment to equity for share payments	-	-	-	-	0.3	**0.3**
Share option charge	-	-	-	-	2.1	**2.1**
Tax on items recognised directly in equity	-	-	-	-	1.7	**1.7**
Balance at 26 February 2011	**31.0**	**11.0**	**(1.2)**	**2.1**	**317.5**	**360.4**
Changes in equity for the 52 weeks to 27 February 2010						
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	-	-	-	(0.2)	(0.9)	(1.1)
Total comprehensive income for the period	-	-	-	(0.2)	61.6	61.4
Equity dividends	-	-	-	-	(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
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

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

The group's financial statements for the 52 weeks ended 26 February 2011 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 31 May 2011.

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 27 February 2010 other than for IFRS 3 Business Combinations (Revised 2008) and IAS 27 Consolidated and Separate Financial Statements (Revised 2008) which came into effect for the group for business combinations for which the acquisition date is on or after 1 March 2010. Whilst the acquisition in the period has been completed under the revised standard there is no impact on the comparative amounts.

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

3. Going concern

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

The group has considered carefully its cash flows and banking covenants for the next twelve months from the expected date of signing of the group's audited financial statements. These have been appraised in light of the uncertainty in the current economic climate. Conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key trading risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate might have on the performance of the group’s 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. The £200m securitisation facility has recently been renewed for a further 5 years until 2016 and it is the group's intention to renew the remaining loan facilities that expire in January 2012 for a further 5 years. Loans drawn down under these facilities of £40m have been included within current liabilities for the period ended 26 February 2011.

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 even in the unlikely event that the remaining facilities are not renewed. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and accounts.

Notes to the unaudited condensed consolidated financial statements

4. Business segments

	52 weeks to 26-Feb-11 £m	52 weeks to 27-Feb-10 £m
Analysis of revenue - Home shopping		
Sale of goods	**523.7**	499.6
Rendering of services	**195.1**	190.4
	718.8	690.0
Analysis of result		
Segment result & operating profit - Home shopping	**102.6**	97.6
Investment income	**4.1**	2.9
Finance costs	**(8.5)**	(7.4)
Fair value adjustments to financial instruments	**(3.7)**	(7.4)
Profit before taxation	**94.5**	85.7

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

5. Derivative financial instruments

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

	52 weeks to 26-Feb-11 £m	52 weeks to 27-Feb-10 £m
Notional Amount - Sterling contract value	**45.1**	37.3
Fair value of (liability)/asset recognised	**(1.4)**	2.3

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £3.7m (2010, £7.4m) 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. Taxation

The effective rate of corporation tax for the year is 24.1% (2010, 27.1%).

Notes to the unaudited condensed consolidated financial statements

7. Acquisition of subsidiary

In June 2010 the group acquired the entire share capital of Figleaves Global Trading Limited for a total cash consideration of £11.9m. Its principal activity is that of an online retailer.

The fair value of net assets acquired are as follows:

	£m
Plant and equipment	**1.6**
Inventories	**3.7**
Trade and other receivables	**0.5**
Cash and cash equivalents	**1.6**
Trade and other payables	**(5.2)**
Deferred tax asset	**2.6**
Net assets acquired	**4.8**
Intangible brand asset arising on acquisition	**7.1**
Total consideration	**11.9**
Satisfied by:	
Cash	**11.9**
Cash acquired with business	**(1.6)**
Net cash outflow	**10.3**

Fair value adjustments included above relate to the separate identification of brand intangibles (£7.1m) and recognition of deferred tax assets (£2.6m). Revenues and loss before tax of £16.3m and £0.9m respectively were recognised in the period since the acquisition.

Notes to the unaudited condensed consolidated financial statements

8. Earnings per share

Earnings	**52 weeks to 26-Feb-11 £m**	52 weeks to 27-Feb-10 £m
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**71.7**	62.5
Fair value adjustment to financial instruments (net of tax)	**2.7**	5.3
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	**74.4**	67.8

Number of shares	**52 weeks to 26-Feb-11 No. ('000s)**	52 weeks to 27-Feb-10 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	**275,323**	273,772
Effect of dilutive potential ordinary shares:		
Share options	**466**	435
Weighted average number of shares in issue for the purpose of diluted earnings per share	**275,789**	274,207

Earnings per share		
Basic	**26.04 p**	22.83 p
Diluted	**26.00 p**	22.79 p
Adjusted earnings per share		
Basic	**27.02 p**	24.77 p
Diluted	**26.98 p**	24.73 p

9. Dividends

The final proposed dividend of 7.37 pence per share, subject to approval by shareholders, will be paid on 29 July 2011 to shareholders on the register at the close of business on 1 July 2011.

10. 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 26 February 2011 or the 52 weeks ended 27 February 2010. The financial information for the 52 weeks ended 27 February 2010 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) Companies Act 2006. The audit of the statutory accounts for the 52 weeks ended 26 February 2011 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 10 May 2011.