01 May 2012

N Brown Group plc

FULL YEAR RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 3 MARCH 2012

N Brown Group plc (LSE: BWNG), the internet and catalogue home shopping company, today announces its full year results for the 53 weeks ended 3 March 2012.

Highlights:

• Total Group revenue	£753.2m	**+4.8%**
• Pre-tax profit	£96.9m	**+2.5%**
• Adjusted earnings per share	28.91p	**+7.0%**
• Full year dividend	13.03p	**+5.0%**
• E-commerce sales	£377m	**+16%**
• Sales from Simply Be USA	£4.8m	**+500%**
• Figleaves deliver first ever profit in 13 years		
• Like-for-like sales for the 8 weeks ended 28 April 2012		**+0.6%**
• Confident outlook for 2012		

Lord Alliance of Manchester, CBE, Chairman, said:

“We are pleased to announce another robust set of results despite a difficult trading environment where our customers have seen their discretionary income become increasingly hard-pressed. We have continued to focus on our multi-channel strategy, investing in our online trading platform, whilst also expanding our international activities.

Although we do not expect the market to materially improve, we believe consumer confidence will begin to pick up later this year and we are confident that our strategy will continue to deliver in 2012.

Alan White, Chief Executive, added:

“We have delivered a solid performance for the year, driven by the development of multi-channel trading and new product ranges. The highlights include increased online penetration, strong growth in our younger titles and our expansion into stores and international markets. We are particularly pleased to see Figleaves delivering its first ever profit, good sales growth from High & Mighty and by the performance of our Simply Be, Marisota and Jacamo brands.

Looking ahead, our multi-channel strategy, combined with our focus on niche customers and products and the flexibility of our business model will look to overcome the challenging macro-economic conditions. The Board remains confident that we will continue to make progress this year.”

-Ends-

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Chairman's Statement

We are pleased to have delivered a solid financial outcome for the 53 weeks ended 3 March 2012, especially in light of the difficult economic conditions for our customers. For the first time online sales have reached 50% of total sales and we have made good progress in developing a growth platform for the business.

Financial Results

Total group revenue increased by 4.8% to £753.2m. Excluding the non-comparable periods for newly opened stores, the acquisition of Figleaves and the 53rd week, like-for-like sales grew by 1.6%. The combination of rising input prices and falling disposable income inevitably subdued demand from our hard-pressed customers, so as anticipated we reduced prices and increased promotional activity to stimulate demand. This led to a 0.8% decline in the rate of gross margin to 53.0%.

Operating profit is slightly down by £0.6m to £102.0m, after absorbing £5.2m of losses on opening the Simply Be concept stores and expanding internationally (2011, £2.3m). However it does include the benefit of the 53rd week this year which has contributed revenue of £12.9m and operating profit of £2.9m. Profit before taxation is up by 2.5% to £96.9m (2011, £94.5m) although, once the fair value adjustments to foreign exchange contracts are excluded, the profit before taxation is £95.6m (2011, £98.2m). Adjusted earnings per share are up by 7.0% to 28.91p, benefitting from a lower tax charge, primarily due to the utilisation of tax losses acquired with Figleaves. The board is proposing a final dividend of 7.74 pence per share, up 5.0% on last year and in line with the increase in the interim dividend. This gives a total dividend for the year of 13.03 pence, covered 2.2 times.

Net borrowings at 3 March 2012 were £192.5m (2011, £180.9m). As expected there was a higher level of capital expenditure to drive internet sales and set up the pilot Simply Be stores. Net finance costs have increased from £4.4m to £6.4m, covered 16 times by operating profit. The rise is due to the higher margin payable on £350m of bank facilities which have been renewed during 2011 for a further five years. Gearing has fallen from 50% to 48% on net assets which have risen by 11.6% to £402.3m.

Trading Highlights

During the year the key trading highlights have been:

- Online sales passing the 50% share of total sales, following 16% growth to £377m during the year.
- Managing and flexing the marketing investment across our brand portfolio based on the results of recruitment campaigns, mailings and online promotions. The strongest growth was from the Jacamo, Marisota and House of Bath customer brands.
- Seeing the turnaround plans in Figleaves and High & Mighty delivering results. Figleaves made its first ever profit in 13 years of trading and High & Mighty opened 3 new stores whilst significantly reducing its losses to £0.2m.
- Growing the Simply Be brand in the USA where sales increased from £0.8m to £4.8m. We deliberately slowed the rate of customer growth in Germany until we had reduced the rate of returns which improved by 1 percentage point to 60%.
- Opening two Simply Be concept stores, and four more since the year-end, to test whether a full multi-channel operation can drive sufficient incremental sales to justify the investment and fixed costs. We will evaluate the performance of these stores towards the end of 2012 based on the uplift of sales from all channels in the postcode region around the store.
- Focusing on our strong product propositions in footwear and menswear to deliver growth of 6% and 15% respectively. The sales of ladieswear were up 2%.

Current Trading and Outlook

Sales for the 8 weeks to 28 April 2012 are 1.0% up on last year and 0.6% up on a like-for-like basis. The year-on-year weather conditions and the earlier Easter break make comparisons complicated but overall the pattern of trading from the second half is continuing, with customers reluctant to spend unless the product or promotional offer is compelling. Consumer confidence remains fragile but we believe the situation will improve in the second half of the year as inflation and income growth become more balanced and our own comparatives become softer.

In a weak economic environment any improvement to our competitive position must therefore come through our own actions. We believe that we have the required plans and platform in place for growth in these market conditions.

We will be offering customers lower prices in the autumn and will look to be more aggressive on key value lines. Our stock levels are currently well balanced and this will reduce the need for the level of discounting and promotional offers that were required in the second half last year to clear some excess stocks. Our online trading strategy still has much further to go and we can exploit the features and functionality we have already developed to deliver rich and relevant content, which will drive both incremental sales and cost savings.

We recognise the increasing importance of strong brands in the online channel, high street stores and international markets and we will be concentrating our marketing spend on fewer of our brands than has previously been the case.

Customer recruitment was strong in the second half and we are investing extra resources this year to support this growth, in addition to campaigns to reactivate more of our lapsed customers. One of the aims of the multimedia Simply Be stores is to reach customers who are in our target market but prefer to shop on the high street, rather than online, and early indications are that a high proportion of store visits are from women who have not shopped with us previously.

International expansion is another key strategic development. We will focus on the USA, and we have now appointed local digital marketing agencies to boost Simply Be’s online recruitment and social media activities there. We will also trial both Marisota and Jacamo, initially on the Simply Be website, and look to boost Figleaves’ international sales.

Market conditions remain challenging but we have a competitive proposition for the middle-aged and plus-size customer groups, which have excellent long-term growth prospects. The continuing development of our unique product ranges, online trading capability and the expansion into stores and international markets should keep N Brown in the leading group of clothing retailers.

The ability of the business to rapidly adapt to changing market circumstances is one of its enduring qualities and I would like to thank all stakeholders, including suppliers and the trade union, for their contribution, but especially all our staff who have been both innovative and hard working to deliver record levels of service quality to our customers throughout the year.

Lord Alliance of Manchester, CBE
01 May, 2012

Chief Executive's Review

The group has continued to make progress this year despite a significant decline in our customers' discretionary spending power. This has necessitated active management of our selling prices, marketing investment and overhead base across all of our brands portfolio to deliver this outcome.

Revenue

Revenue growth has been delivered through the core UK home shopping business supplemented by international expansion and new store openings. For the 53 weeks to 3 March 2012 revenue is up in total by 4.8% to £753.2m, and by 1.6% on a like-for-like basis which excludes the impact of newly opened stores, the acquisition of Figleaves in June 2010 and the 53rd week.

Customer Groups

Target Age	Revenue £m	% Change
30-50	271	13
Over 50	482	1
	753	**5**

N Brown Group has a very distinctive customer base, comprising over 6 million individuals with an average age of 58, and an average dress size of 18. During the year we saw a small decline in the number of active established customers but a combination of higher selling prices and promotional campaigns led to a 4% increase in average sales per customer. Sales from new customers rose by 2% for the year as a whole, due to improved recruitment campaigns in the second half.

Under 50 Customer Group

The brands in this group grew at a faster rate than those targeted at the 50 plus segment, due to the development of Simply Be, Jacamo and Figleaves.

Simply Be is the largest single brand in the group with sales of over £100m from all channels and geographies. The focus is on fashionable and flattering clothing in sizes 14-32 specifically designed for the plus-size woman. These customers often have difficulty finding clothes to fit in other retail stores, whether in the UK or elsewhere, which is why we chose the Simply Be brand for both our international expansion and high street store trial.

Jacamo is targeted at the brand-conscious thirty-something male who either wants the convenience of online shopping or struggles to find branded clothing in his size. Good response rates to the improved product offer, coupled with significant numbers of new customers, led to sales increasing by over 50%.

Figleaves has had an excellent year moving into profit for the first time in its 13 year history after radically pruning its cost base. Sales from Figleaves' own brand rose by 20% including the new FGL menswear range, and the range extensions allied to lingerie, such as swimwear and pyjamas.

The other major brand in this section, Fashion World, whose customers' are primarily from the lower socio-demographic groups, had flat sales year on year.

50 Plus Customer Group

The midlife and older customers aged 50 and above suffered from a combination of high inflation, particularly for food and energy costs, and a low return on their savings. Two thirds of these customers are over 65 and have relatively fixed incomes. Consequently there was a contrasting performance between the brands targeted at the younger end of this category, such as Marisota, and those at the older end, such as Heather Valley and Special Collection.

Marisota increased its revenues by 24% targeting the customers aged about 50 with a catalogue and website focused on solutions for problems with the fit of clothing and footwear. For example we promote our 'Magi' range which, using the latest design and fabric technologies, can create a smoother body shape. Similarly we have developed our 'Legroom' footwear range which now has five different calf fittings for long-line ladies boots. The same is also true of our lingerie range which focuses on the fitting and comfort problems customers have, which, as an example, led to the development of the world's largest strapless bra, available up to size 48K.

Our longest established catalogue is distributed under the JD Williams, Ambrose Wilson, Oxendales, Fifty Plus and That's My Style brands which account for 39% of group revenue. Sales were slightly down even though the average sales per customer were up . However there was a small proportion of customers who resisted all our promotional activity, and we will especially target them in 2012 to reactivate their purchasing activity.

The group of brands targeting customers with an average age of 70 had mixed fortunes, and in aggregate sales were down by 7%. Gray & Osbourn, targeting the more affluent 60+ customer, increased full margin sales but overall revenue was lower as reduced stock levels led to fewer discounted sales. House of Bath, which sells unusual items for the home and garden, had an excellent year with sales up by 12%, and Julipa also did well.

Product Groups

	Revenue £m	**% of Total**	**% Change**
Ladieswear	365	48	+2
Footwear	84	11	+6
Menswear	95	13	+15
Home & Leisure	209	28	+5
	753	**100**	**+5**

During 2011 the group was operating in product sectors which were amongst the most challenging in the retail marketplace. The plus-size clothing sector did not grow at all and the sales of home and leisure goods were also weak, particularly for big ticket items. Against this backdrop we can be reasonably satisfied with a 1.6% like-for-like sales growth.

Ladieswear accounts for about half the group's revenue, and was up by 2% for the year as a whole. Due to the cotton price bubble in 2010 input costs for clothing in 2011 were up by 9% on average, which we passed through into selling prices. Customers were only being enticed to purchase if the product or the price was compelling. Consequently we had strong sales on lines where we had new designs or product with unique features and the designer and celebrity endorsed ranges but sales of basic casual clothing were down.

Within ladieswear lingerie sales were up 7%, partly due to Figleaves' performance, but we also took market share in bras, swimwear and nightwear.

Footwear saw sales growth of 6%. Core footwear sales benefited from an improved range of styles and fittings but we also had strong growth from men's footwear, sports footwear and Viva La Diva, our online pure play which sells third party brands as well as our own.

Menswear continues to be our fastest growing product sector. Revenue was up by 15%, primarily driven by the success of Jacamo and the expansion of High & Mighty's store network. We have recruited Freddie Flintoff as Jacamo's brand ambassador and his range is selling well. More branded menswear suppliers are manufacturing their ranges in larger sizes, exclusively for Jacamo. In addition both Premier Man and Williams and Brown are doing well, as is our sportswear range.

Home and leisure sales were up by 5% in total, although there was a significant variation within the sub-ranges. Gifts and toys were 18% up as we promoted the Brilliant Gift website throughout the year, rather than just at Christmas. Electrical and homewares also had good growth, helped by the availability of credit on customers' personal accounts. However furniture, bedding and home decor were all down as customers deferred home improvement.

Multi-channel

Online sales are now the majority of the group sales, as a 16% increase in online sales to £377m enabled us to pass the 50% milestone. The increasing proportion of new customers recruited on our websites, the improved quality of our email campaigns and improved website functionality all contributed to this growth. We are the market leader for online sales for plus-size womenswear, menswear for the fifty plus age group and many other categories. Sales from product lines only available online, most of which are shipped directly to our customers by the suppliers, increased by 29%

This increase in online sales improves profitability as web orders have a 25% higher value than telephone orders and costs reduce in the contact centre as volumes fall. Telephone order volumes have fallen 17% this year, and telephone enquiries and payment calls are down 21% as customers' switch to using our redesigned online 'My Account' facility.

Despite the increasing share of all retail sales transacted on or influenced by the web the vast majority of clothing and footwear sales are still conducted in high street stores. This is even true for the plus-size market which led us to trial some Simply Be stores to see if we could profitably gain more market share for our most fashionable clothing range. We opened stores in Liverpool and Bury in autumn 2011 and in-stores sales totalled £0.7m by the year-end. We will evaluate the stores based on the uplift of sales from all channels in the post codes influenced by the store location, Early indications are that there is an uplift in the level of online purchases in the catchment area. In the last month we have opened stores in Gateshead, Teesside, Leicester and Doncaster and a Manchester store is scheduled to open in September. This small portfolio of stores is focused on five major shopping centres, including one out-of-town retail park, plus two smaller towns so we can identify the ideal type of location, assuming further capital investment is justified by incremental sales.

High & Mighty was acquired out of administration in late 2009. Since then we have relocated the business to Manchester, re-platformed the website, relocated four stores, refurbished seven stores and opened six new stores, of which three were new in 2011/12. Total sales grew by 17% to £8.8m with like-for-like sales up by 7%. Losses shrank from £0.8m to £0.2m and we would expect to move into profit in the current year.

International

We believe Simply Be's fashionable plus-size clothing range will appeal to international customers, and have so far targeted Germany and the USA. Total sales were £8.4m (2011, £4.2m) with losses of £4.8m (2011, £2.3m). Our key target is the USA as the market opportunity for us is significant and the key performance indicators to date are favourable, with high gross margins and returns rates below 30%. Customer recruitment has been primarily through catalogue mailings to selected customer lists, supplemented by online recruitment through paid search and social media. The appointment of local digital agencies took longer than originally anticipated but they will be a key lever of growth in 2012.

Germany's performance has previously been held back by high rates of product returns. A number of initiatives were implemented which have brought the rate down by 1% to 60%, although this is still too high. We limited the level of customer recruitment whilst we were making these changes.

We also have international sales for Oxendales in Ireland, a market which continues to be very challenging, and for Figleaves which has over 20% of its sales from overseas and an opportunity to grow them further.

Gross Margin and Credit

The overall rate of gross margin fell by 0.8% to 53.0% with a reduced margin on product sales offset by an increase in net consumer credit income.

The sales of ladies clothing and footwear were impacted by the mild autumn weather and resulted in excess stocks of cold weather merchandise. As a consequence we offered more aggressive promotional discounts to customers who had not ordered and marked down prices to reduce inventory levels. Although this reduced the rate of gross margin by 2.2% we did successfully reactivate some dormant customers and limited the increase in year-end inventories to only 5.8%.

Income derived from our customers' credit accounts performed well with revenue up 11.9% to £218.4m. Changes to credit policies and processes gave customers the options of paying their accounts off over a slightly longer period. This increased the gross margin rate from financial services income by 1.4% with the increased interest income partly offset by a rise in the rate of bad debt charge, which increased as a percentage of revenue from 7.4% to 7.7%. The arrears profile of the debtor book has improved during the year.

Overheads

The business has successfully controlled costs during volatile and inflationary trading conditions. An increase in average order values led to improved collation and a lower volume of parcels despatched. This offset much of the increases for fuel and payroll limiting the overall rise in distribution costs to 3.0%. Selling and administration costs rose by 4.8%, in line with group turnover, but this included heavy investment in customer recruitment, both at home and abroad, and high rates of inflation for postage, paper and print.

Customer Service

Exemplary customer service is essential in difficult economic circumstances to maintain customer loyalty and in this respect we had an excellent year. The ratio of enquiries to orders improved further and we had the fastest delivery and the lowest ever levels of claims for goods not received. In addition our bi-annual surveys of customer satisfaction showed record approval levels.

Outlook and Current Trading

The strategic plan for the business is designed to develop our multi-channel trading performance in the UK which will then provide a platform for international expansion. There are several components to this strategy which will be our key areas of focus during 2012/13.

Within the core home shopping business we will be concentrating our marketing investment on the key ladieswear and menswear brands plus the speciality propositions. We will improve our online trading capability and drive incremental sales which will allow us to reduce our mailing contacts. Our websites will be adapted to capitalise on the exponential growth of online access from mobile devices. We will review the attractiveness of further store openings relative to the capital outlay and we are testing Jacamo's menswear on the mezzanine floors of two Simply Be stores. Similarly we will testing the international potential of Marisota and Jacamo within the Simply Be website in the USA.

Traditionally we have dealt with customers who regarded it as normal to open a credit account even if it was just to try on the clothing before purchase. As the online audience becomes more diverse in its age and socio-demographic spread we will be testing simpler up-front payment options to determine whether this profitably increases the size of our customer base. We will also be providing more delivery options for our customers.

Revenue for the 8 weeks ended 28 April 2012 shows an increase of 1.0%, and a like-for-like increase of 0.6 %, excluding the sales from stores not open at this time last year. Consumer confidence is still low but the situation should improve later in the year as inflation and income growth rates start to converge. The recent spate of retail casualties will also free up some capacity in the market sectors in which we operate.

We have seen encouraging results from our Spring recruitment campaigns which will help to rebuild the 3% reduction in the active customer database we experienced last year. We also have a series of reactivation campaigns for lapsed customers planned. The second half of last year saw high levels of discounting activity to clear excess stocks both by ourselves and in the sector as a whole. We have bought less stock this year now that lead times have returned to normal from our suppliers and we expect a benefit in the rate of gross margin in the second half. The reduction in cotton and fabric prices will result in lower input prices in the autumn which we will pass on to our customers.

Our online capability was strengthened last year, both in systems functionality and personnel, and this will enable us to trade our websites even more effectively this year. We have already seen an increase of 11% in our online sales in March and April compared with last year.

The clear focus on our targeted customer and product groups, traded through multiple channels and to a wider geographic audience, supported by more credit and service options, will drive the business forward in the coming year.

Trading was extremely tough in 2011 but everyone in the business has risen to the challenges facing them. This resilience and our focused strategic plan leave N Brown Group well placed to make further progress this year.

Alan White, Chief Executive
01 May, 2012

Unaudited condensed consolidated income statement

	Note	53 weeks to 03-Mar-12 £m		52 weeks to 26-Feb-11 £m	
Revenue	4	**753.2**		718.8	
Operating profit	4	**102.0**		102.6	
Investment income		**4.3**		4.1	
Finance costs		**(10.7)**		(8.5)	
Profit before taxation and fair value adjustments to financial instruments		**95.6**		98.2	
Fair value adjustments to financial instruments	5	**1.3**		(3.7)	
Profit before taxation		**96.9**		94.5	
Taxation	6	**(15.9)**		(22.8)	
Profit attributable to equity holders of the parent		**81.0**		71.7	
Adjusted earnings per share	7				
Basic		**28.91**	**p**	27.02	p
Diluted		**28.88**	**p**	26.98	p
Earnings per share	7				
Basic		**29.28**	**p**	26.04	p
Diluted		**29.24**	**p**	26.00	p

Unaudited condensed consolidated statement of comprehensive income

	53 weeks to 03-Mar-12 £m	52 weeks to 26-Feb-11 £m
Profit for the period	**81.0**	71.7
Other items of comprehensive income		
Exchange differences on translation of foreign operations	**(0.2)**	(0.6)
Actuarial losses on defined benefit pension schemes	**(6.2)**	(2.3)
Tax relating to components of other comprehensive income	**1.6**	0.6
	(4.8)	(2.3)
Total comprehensive income for the period attributable to equity holders of the parent	**76.2**	69.4

Unaudited condensed consolidated balance sheet

	03-Mar-12	26-Feb-11
	£m	£m
Non-current assets		
Intangible assets	**62.8**	52.2
Property, plant & equipment	**67.2**	69.1
Retirement benefit surplus	**-**	3.3
Deferred tax assets	**1.9**	3.5
	131.9	128.1
Current assets		
Inventories	**82.6**	78.1
Trade and other receivables	**522.0**	490.8
Derivative financial instruments	**-**	-
Cash and cash equivalents	**57.5**	49.1
	662.1	618.0
Total assets	**794.0**	746.1
Current liabilities		
Bank loans and overdrafts	**-**	(40.0)
Trade and other payables	**(106.6)**	(114.5)
Derivative financial instruments	**(0.1)**	(1.4)
Current tax liability	**(22.9)**	(28.8)
	(129.6)	(184.7)
Net current assets	**532.5**	433.3
Non-current liabilities		
Bank loans	**(250.0)**	(190.0)
Retirement benefit obligation	**(1.0)**	-
Deferred tax liabilities	**(11.1)**	(11.0)
	(262.1)	(201.0)
Total liabilities	**(391.7)**	(385.7)
Net assets	**402.3**	360.4
Equity		
Share capital	**31.3**	31.0
Share premium account	**11.0**	11.0
Own shares	**(1.5)**	(1.2)
Foreign currency translation reserve	**1.9**	2.1
Retained earnings	**359.6**	317.5
Total equity	**402.3**	360.4

Unaudited condensed consolidated cash flow statement

	53 weeks to 03-Mar-12 £m	52 weeks to 26-Feb-11 £m
Net cash from operating activities	**56.5**	57.4
Investing activities		
Purchases of property, plant and equipment	**(5.7)**	(6.4)
Purchases of intangible assets	**(19.2)**	(15.7)
Acquisition of subsidiary	**-**	(10.3)
Interest received	**0.1**	0.2
Net cash used in investing activities	**(24.8)**	(32.2)
Financing activities		
Interest paid	**(7.9)**	(4.2)
Dividends paid	**(35.0)**	(31.5)
Increase in bank loans	**20.0**	-
Purchase of shares by ESOT	**(1.0)**	(0.8)
Proceeds on issue of shares held by ESOT	**0.6**	0.5
Net cash used in financing activities	**(23.3)**	(36.0)
Net increase/(decrease) in cash and cash equivalents	**8.4**	(10.8)
Opening cash and cash equivalents	**49.1**	59.9
Closing cash and cash equivalents	**57.5**	49.1

Reconciliation of operating profit to net cash from operating activities

	53 weeks to 03-Mar-12 £m	52 weeks to 26-Feb-11 £m
Operating profit	**102.0**	102.6
Adjustments for:		
Depreciation of property, plant and equipment	**7.6**	7.8
Amortisation of intangible assets	**8.6**	6.9
Share option charge	**2.2**	2.1
Operating cash flows before movements in working capital	**120.4**	119.4
Increase in inventories	**(4.5)**	(12.0)
Increase in trade and other receivables	**(30.7)**	(29.8)
(Decrease)/increase in trade and other payables	**(7.5)**	3.7
Pension obligation adjustment	**(1.6)**	(7.4)
Cash generated by operations	**76.1**	73.9
Taxation paid	**(19.6)**	(16.5)
Net cash from operating activities	**56.5**	57.4

Unaudited condensed consolidated statement of changes in equity

	Share capital	Share premium	Own shares	Foreign currency translation reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Changes in equity for the 53 weeks to 03 March 2012						
Balance at 26 February 2011	31.0	11.0	(1.2)	2.1	317.5	**360.4**
Profit for the period	-	-	-	-	81.0	**81.0**
Other items of comprehensive income for the period	-	-	-	(0.2)	(4.6)	**(4.8)**
Total comprehensive income for the period	-	-	-	(0.2)	76.4	**76.2**
Equity dividends	-	-	-	-	(35.0)	**(35.0)**
Issue of ordinary share capital	0.3	-	-	-	-	**0.3**
Purchase of own shares by ESOT	-	-	(1.3)	-	-	**(1.3)**
Issue of own shares by ESOT	-	-	1.0	-	-	**1.0**
Adjustment to equity for share payments	-	-	-	-	(0.4)	**(0.4)**
Share option charge	-	-	-	-	2.2	**2.2**
Tax on items recognised directly in equity	-	-	-	-	(1.1)	**(1.1)**
Balance at 3 March 2012	**31.3**	**11.0**	**(1.5)**	**1.9**	**359.6**	**402.3**
Changes in equity for the 52 weeks to 26 February 2011						
Balance 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

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

The group's financial statements for the 53 weeks ended 3 March 2012 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 2012.

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 26 February 2011.

2. Principal risks and uncertainties

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

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

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

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

Notes to the unaudited condensed consolidated financial statements (continued)

4. Business segments

	53 weeks to 03-Mar-12 £m	52 weeks to 26-Feb-11 £m
Analysis of revenue - Home shopping		
Sale of goods	**534.8**	523.7
Rendering of services	**218.4**	195.1
	753.2	718.8
Analysis of result		
Segment result & operating profit - Home shopping	**102.0**	102.6
Investment income	**4.3**	4.1
Finance costs	**(10.7)**	(8.5)
Fair value adjustments to financial instruments	**1.3**	(3.7)
Profit before taxation	**96.9**	94.5

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:

	53 weeks to 03-Mar-12 £m	52 weeks to 26-Feb-11 £m
Notional Amount - Sterling contract value	**43.6**	45.1
Fair value of liability recognised	**(0.1)**	(1.4)

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a credit of £1.3m (2011, charge of £3.7m) 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 16.4% (2011, 24.1%).

Notes to the unaudited condensed consolidated financial statements (continued)

7. Earnings per share

Earnings	53 weeks to 03-Mar-12 £m	52 weeks to 26-Feb-11 £m
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**81.0**	71.7
Fair value adjustment to financial instruments (net of tax)	**(1.0)**	2.7
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	**80.0**	74.4

Number of shares	53 weeks to 03-Mar-12 No. ('000s)		52 weeks to 26-Feb-11 No. ('000s)	
Weighted average number of shares in issue for the purpose of basic earnings per share	**276,681**		275,323	
Effect of dilutive potential ordinary shares:				
Share options	**367**		466	
Weighted average number of shares in issue for the purpose of diluted earnings per share	**277,048**		275,789	
Earnings per share				
Basic	**29.28**	**p**	26.04	p
Diluted	**29.24**	**p**	26.00	p
Adjusted earnings per share				
Basic	**28.91**	**p**	27.02	p
Diluted	**28.88**	**p**	26.98	p

8. Dividends

The final proposed dividend of 7.74 pence per share, subject to approval by shareholders, will be paid on 27 July 2012 to shareholders on the register at the close of business on 29 June 2012.

9. Non-statutory financial statements

The financial information set out in the announcement does not constitute the company's statutory accounts for the 53 weeks ended 3 March 2012 or the 52 weeks ended 26 February 2011. The financial information for the 52 weeks ended 26 February 2011 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 53 weeks ended 3 March 2012 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 1 May 2012.