01 May 2014

N Brown Group plc

FULL YEAR RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 1 MARCH 2014

N Brown Group plc (LSE: BWNG), the multi-channel online retailer and no.1 UK online retailer for plus size fashion, today announces its full year results for the 52 weeks ended 1 March 2014.

Highlights

Total Group revenue	£834.9m	**+6.4%**
Operating profit	£107.0m	**+4.7%**
Profit before tax and fair value adjustments	£100.1m	**+5.3%**
Sales from USA operations	£10m	**+21%**
E-commerce sales	£463m	**+9.1%**
Active customer file increased to 7 million		**+3.7%**
Total dividend	14.23p	**+4.0%**
Adjusted earnings per share	27.88p	**-1.0%**
Like-for-like sales from store portfolio		**+35%**
Positive growth across all customer segments and product categories		
Opening Simply Be/Jacamo flagship store on Oxford Street, London in September		
Strategy delivering confident outlook for 2014/15		

Andrew Higginson, N Brown Group Chairman, said: "We are pleased to report another robust year for the Group as we delivered positive growth across all customer segments and product categories. We have achieved a lot in the year, whilst at the same time we have entered a period of transition for the business. We are investing in the further development of our multi-channel offer, increasing customer recruitment, revitalising our major brands and driving international expansion for future growth. We are encouraged by the positive signs from these strategic initiatives and we are confident these trends will continue."

Angela Spindler, Chief Executive, added: "I am encouraged by the results of the early changes we've made to the business and I am delighted that the team has continued to deliver solid growth, whilst preparing for a more ambitious future. The Group has maintained momentum across our multichannel offering in terms of both stores and online, growing the customer base and continuing our progress in the USA. We are particularly encouraged by the strong performances from our younger titles, primarily driven by Simply Be and Jacamo, and have continued to focus on revitalising our core brand of JD Williams which remains key to achieving our future growth ambitions.

"Going forward the benefits of our strategic initiatives will start to come through as we look to achieve a double digit rate of sales growth during the financial year ending February 2016. I am even more convinced that we have a great platform and you'll see us build on that strong base at an even faster pace as the implementation of our plan gathers momentum."

-Ends-

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CHAIRMAN'S STATEMENT 2014

We are pleased to report that the group delivered a robust performance in 2013/14 and has made a good start to the new financial year. We have grown profits during a period of major transition in the business as we begin to implement our new strategy for growth, including accelerating our investment in new markets and maintaining high levels of customer recruitment across our existing customer segments and brands.

We are encouraged by the early performance we are seeing in our US business and with our programme of new store openings in the UK as part of the development of our multi-channel offering and we are confident in the renewed growth from the actions we are taking in our core JD Williams business. We are now applying what we learned in the early stages of our entry into the US market and resumed a faster rate of expansion there during the second half of the year. The roll-out of Simply Be/Jacamo stores has also gone well as we move towards our target of 25 stores nationally across the UK. We believe these new activities can be significant growth drivers for the group in the medium term.

Financial Results

£m	**2014**	**2013**	**%**
Revenue	834.9	784.7	+6.4
Operating profit	107.0	102.2	+4.7
Adjusted profit before taxation	100.1	95.1	+5.3
Statutory profit before taxation	97.3	96.4	+0.9
Adjusted earnings per share (p)	27.88	28.15	-1.0

Total group revenue increased by 6.4% to £834.9m and 6.3% on a like-for-like basis, excluding the non-comparable periods for newly opened stores. Gross margin reduced by 0.3% for the year as a whole despite a second half improvement in overall margin which came from the reduced bad debt ratio of 7.5% of sales. This was achieved largely following the introduction of new fraud elimination processes and credit policy rule changes on high value electrical products, introduced in the third quarter.

Operating profit was up by 4.7% to £107.0m, after accounting for losses of £6.2m (2013, £6.1m) from the investment in international trading and the Simply Be/Jacamo stores.

Excluding the impact of fair value adjustment to financial instruments, profit before taxation was up 5.3% to £100.1m (2013, £95.1m). Including these adjustments, profit before taxation was £97.3m (2013, £96.4m), up 0.9%.

Adjusted earnings per share were down at 27.88p (2013, 28.15p), due to a higher tax charge of 22.0% (2013, 17.6%). The board is proposing a final dividend of 8.56 pence per share, up 4.0% on last year, giving a total dividend for the year of 14.23 pence up by 4.0%, and covered 1.96 times.

Net borrowings at 1 March 2014 increased to £213.7m (2013, £188.7m) due to further investment in the receivables book, which generates our financial services revenue.

Net finance costs fell from £7.1m to £6.9m, covered 15.5 times by operating profit. Gearing has increased from 42% to 44% on net assets which have risen by 8.8% to £485.3m (2013, £446.0m).

Trading Highlights

During the year all of our consumer facing segments performed in line with our expectations and we continued to improve our customer service levels. The focus on consumer segments has enabled us to reinvigorate our offer and optimise more effectively our marketing investment. The fastest growth was seen within the male segment, which grew by 13% and the younger female segment which grew by 9%. The mature female segment continued to improve with 3% growth in the year.

Revenue grew in all our major product categories as we continued to broaden our ranges. The fastest growth came from our increasingly differentiated home offer where sales grew by 12%, despite the reduced electrical sales arising out of the credit policy changes introduced in the second half of the year. This category is now focused on our “Famous Five” ranges which include bedding, home décor, homewares, outdoor living and family gifts, and accounts for 31% of group revenue. Footwear and menswear grew by 10% and 5% respectively. Ladieswear, which is a major part of our future growth strategy, and a significant opportunity for the business going forward, grew by 3% during the year.

The continued investment in our websites has driven online penetration to 58% of revenue. Online remains our priority channel and 40% of our sessions are now on mobile devices marking a significant change in the way our customers shop.

As reported at the interim results, we elected to pause our expansion into the US market during the third quarter. We have now resumed a faster rate of customer recruitment and we are applying what we’ve learned so far to the next stage of expansion. We have strengthened the team, taken the decision to focus on the Simply Be opportunity exclusively and based on the strength of our gross margin, begun to invest more in digital marketing, tailored ranges and website and service developments. The revenue for the full year grew by 21% to £10m and customer numbers are up 28%. Losses were up £1.7m to £4.7m as we continue to invest in this key geography.

During September 2013 we opened two Simply Be/Jacamo stores in Leeds and Derby to bring our number of stores to nine, eight of which are dual facia. The like- for-like sales from these stores were up 35% in the year, and they are now contributing positively to trading profit before central overheads. It is our intention to roll-out a further seven stores by October this year, and we have already found a site on Oxford Street, which opens in September. These stores are helping to build brand awareness and we believe are ahead of our competitors in terms of multi-channel services offered in store. They are responsible for an online “halo” sales benefit in the 45 minute drive time radius around each store of 7% and 3% for Simply Be and Jacamo respectively, compared to those areas without a store.

In February 2014 we changed our check-out processes across the business to make it easier for new customers to pay by cash at the point of sale if they wished to do so. Our testing highlighted that we would achieve additional sales and improve cashflow from this initiative, and whilst it is early in the process the signs of success in this area are positive with 30% of new orderers to date on all channels completing their transaction on a cash basis at higher gross margins. Most of these orders relate to fashion items.

In February we described our systems infrastructure development programme, which is designed to simplify our business and to create the foundations for our multi-national, multi-channel expansion plans. We have signed agreements with our chosen partners and have now moved on to the systems design phase. It is likely that we will achieve some reporting benefits later in the current year, but the positive financial impacts on our growth will be seen in the year ended 2016 and beyond.

Board Composition

In July 2013 Angela Spindler joined N Brown Group as Chief Executive and has already made a very positive contribution to the group. Her vision for the future of the business was laid out in February this year and I am delighted with the progress she has made in such a short time in shaping and pursuing the group’s new strategy. She is already driving the many changes required to achieve our objectives.

John McGuire retired in March 2014 having been a non-executive director since 2005, and Anna Ford will retire from the board in July 2014 after 5 years’ service as a non-executive director.

I would like to thank them for their contribution to N Brown's success over the years and wish them well for the future.

Financial reporting Calendar

We have reviewed our approach to financial reporting and consequently made some changes in line with what is now best practice in the listed retail sector. Going forward, we will report our financial results in the normal way and with similar timings to our current approach. Additionally, we will issue pre-close trading updates at the end of each half year and also Interim Management statements covering the first and third quarters shortly after the end of those trading periods. One consequence of these changes is that we will cease the issue of current trading statements covering short periods at our financial results – an approach which is now routine across our industry. Consistent with this new approach, these results therefore do not include a current trading statement. Our first quarter IMS will now be issued in June, some weeks earlier than previously.

Outlook

We are stepping up the pace of change in the business in pursuit of our strategic ambitions. I am pleased to report that the team has made good early progress with the implementation of our plans to accelerate growth by building on the core strengths of the group.

Consequently the board remains confident in the outlook for the business, and we believe that the strategy in place will enable us to achieve our expectations in the year ahead and beyond. I would like to thank all stakeholders in the business and in particular the staff for all of their hard work and dedication throughout the year.

CEO REVIEW

Delivering Growth across all our Customer Segments & Product Categories

Our consistent performance in terms of revenue growth has been delivered again this year with like-for-like sales up 6.3% and total group turnover up 6.4% to £834.9m. Our strategic initiatives of Simply Be and Jacamo store roll-out and our expansion into the USA have added to our momentum. However, in absolute terms the biggest drivers of growth were our young female & male consumer segments which delivered £23m and £16m of revenue growth respectively.

It is pleasing to report that all consumer segments delivered growth in the year.

In the mature segment classic fashion brand Julipa was the star performer up nearly 30% vs. last year. House of Bath was also strong at over 25% ahead year on year. It is encouraging to see a return to growth in JD Williams, however, at just 1% ahead we see this as an opportunity.

In the younger female segment Simply Be performed strongly, up 9% year on year and in the male segment Jacamo was a stand-out performer, up 21%.

	Revenue	% of Total	% Change
Mature Female	364	44	+3
Young Female	277	33	+9
Male	140	17	+13
Specialist	54	6	+2
Total	**835**	**100**	**+6**

All product categories also grew in the year with the best performance coming from Home & Gift and Footwear. Clothing sales were impacted in the second half by the very mild weather which affected the sales of product bought for the Autumn/Winter season. Sales for the full year were diluted by a flat performance from some large categories in mid-life ladies fashion – casuals, knitwear and outerwear. That said, we grew share in our key categories of mens and ladies plus size clothing.

In the mature female segment we saw good growth in our main in-house ladieswear brand Joanna Hope (+7%). In younger female clothing, Fast Fashion ranges sold extremely well (+46%). The brand Joe Browns was also a strong performer up 20%.

	£m	% of Total	% Change
Ladieswear	372	45	+3
Footwear	92	11	+10
Menswear	108	13	+5
Home & Gift	263	31	+12
Total	**835**	**100**	**+6**

In traditional menswear, which accounts for over 50% of sales, performance was diluted with the category only up 4% on the year. Younger ranges were stronger, up 8%.

Home and gift sales have been bolstered by improvements in the housing market with Homewares and Furniture being strong growth categories, as was gifting, where demand was up 27% year on year. The House of Bath brand within Home also performed well in the year, up 25%. As a result of credit policy changes, Home & Gift sales though strong, were £9 million lower as a consequence.

In ladies footwear younger styles were strongest, up 20% year on year. We were particularly successful in wide calf fitting boots. Men’s footwear grew by 16%, with most growth coming from Jacamo customers.

Gross Margin and Credit

The overall gross margin rate for the year was down 30bps year on year. This is a marked improvement on the first half where margin was down 80bps. Product margin was down 20bps, impacted by the sales mix in favour of Home & Gift and diluted in the second half by a higher rate of markdown and promotional activity to support sales and sell-through following a weather related poor start to the autumn/winter season.

The ratio of bad debt to sales was 8.1% for the year, which was in line with last year. However, this reduced from 8.8% in the first half to 7.5% in the second half. This reflected our product related credit policy changes impacting high risk, low margin home & gift categories such as high value electricals and electronics. We expect future sales and margin benefits to flow from these changes.

Attracting and delighting more Customers

Our active customer file has increased to seven million, which is up 3.7% year on year and reflects sustained investment in recruitment with 24% of demand coming from new customers. Our investment is also reflected in customer retention noting that the most effective recruitment channel is online marketing, including paid search.

We actively track the long term value of all our customers and take this back to the type of recruitment activity that first enticed them to order – this allows us to optimise spend for long term profitability.

Continued development of a tailored, segmental marketing strategy is clearly enabling growth through more targeted and relevant communications, and this will develop further as we combine analytics with online tools to deliver real time personalisation.

Improving the shopping experience for our customers is a key focus for the business as it correlates so closely with commercial success. In the multi-channel world this requires us to measure ourselves and track our performance across many dimensions including the web experience, in-store service, size availability, the speed and reliability of our delivery service and overall value for money. Our latest aggregate score from the UK Institute of Customer Service gives us a satisfaction index of 84.1 which puts us in the top five of UK multi-channel retailers and well above the overall index of 77.9.

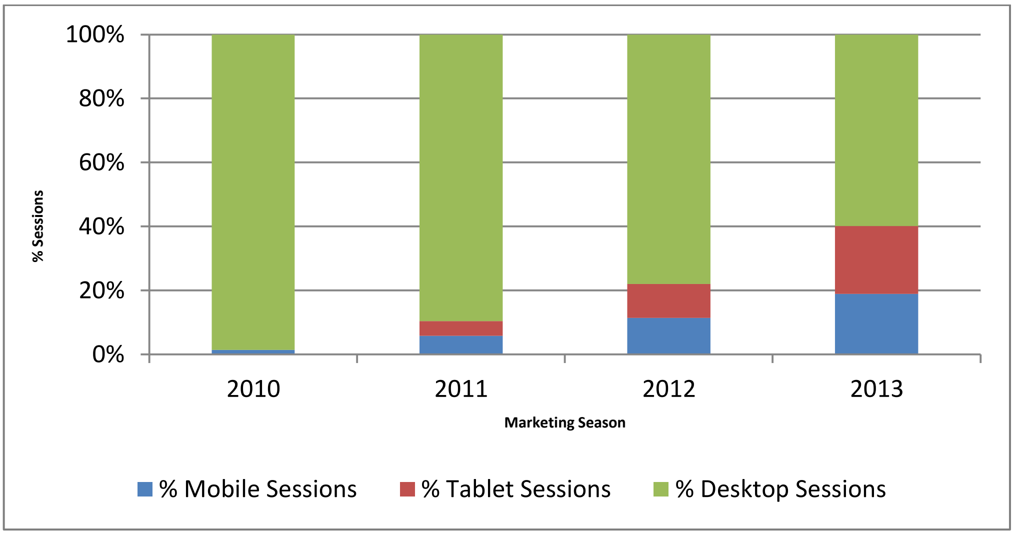
During the year we have made numerous improvements to our overall service proposition for customers. For example: we have virtually halved our web page load speeds, making us industry leading in this regard; we have simplified and improved the check-out process; we have introduced a "Click and Collect" service from 3,000 parcel shops across the country; we have provided mobile tablet devices to store colleagues in our new stores allowing them to better serve our in-store customers; we have significantly improved our next day service which now offers an 8pm cut-off and accounts for over 28% of demand, at the same time standard delivery service has improved to 3.2 days on average. We will continue to drive service improvements and track our progress on customer satisfaction.

Developing our Multichannel Capabilities

Online sales now account for 58% of overall demand. This is up from 55% last year. The shift in our marketing spend reflects the growing appeal and influence of digital marketing techniques with customers across all our consumer segments. In the year we have reduced spend on paper from 33% to 25% of our overall marketing budget and diverted investment into online recruitment and retention activities. We have increased our emails by 70% year on year and the open rate of promotional emails has increased by 8%.

These are targeted emails based on customer product preferences and lifestyles. These highly targeted campaigns are driven from analytics and are all device optimised which is driving the improved customer response.

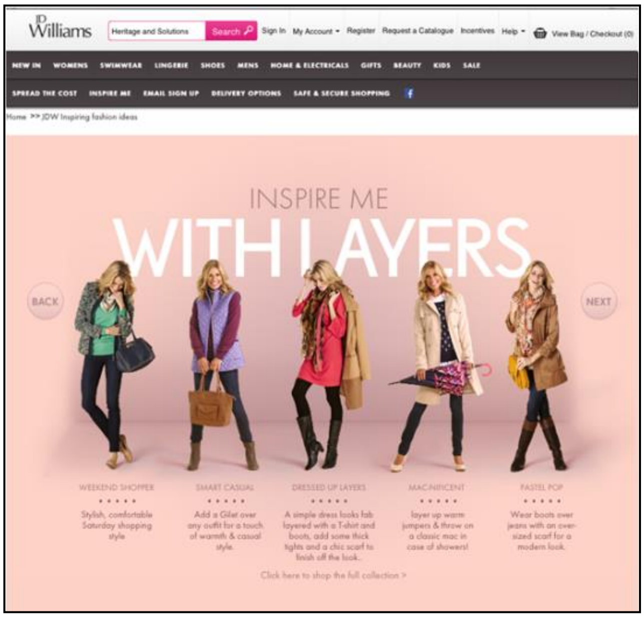
The migration of our business to the online channel is being fuelled by the growth in traffic from mobile devices. This now accounts for 40% of web traffic with over half of that coming from tablets.



During the year we optimised our websites for tablet devices and smartphones. As a result of improvements our conversion levels by device have increased year on year.

Device	% of traffic converting to demand	
	2013	2014
Desktop	7.1	7.9
Tablet	4.5	5.0
Smartphone	3.5	3.6

We have also improved search and navigation across sites and increased our online selling capabilities through product sequencing flexibility, improved affinity selling and extended personalised recommendation capabilities. We have also enhanced the online user experience with more frequent and relevant content changes and richer images, making our sites more interesting and inspiring for customers to browse.



Ahead of our systems upgrade which is discussed further below, we continue to invest in improving our web proposition. In 2014 we plan to further improve copy and images, develop our product recommendation and personalisation tools plus make the customer checkout journey even simpler.

Implementing our Strategy

The fourth quarter has seen us begin to implement elements of our strategy which underpin our ambition to be: "The leading global retailer famous for making shopping for fashion easy and enjoyable regardless of size."

<u>Pay by Debit/Credit Card</u>

In February we introduced the option for customers to pay at point of order by debit or credit card, an important step in broadening our customer appeal and making our proposition more contemporary. It is too soon to conclude on the impact of this however early evidence reinforces expectations that this will introduce incremental customers to the business.

<u>"Famous Five" in Home & Gift</u>

Since last October we have been implementing our "Famous Five" strategy in our Home & Gift categories focusing our marketing efforts on categories which are differentiated and most relevant to our target customers: Homewares, Bedding, Home Decor, Outdoor Living and Gifts. These actions have driven additional sales of the Famous Five categories. Over the course of the next financial year we are confident that sales will be further fuelled by these target categories. We are seeing particularly strong momentum in homewares and family gifts.

<u>Re-launch of JD Williams</u>

Delivering growth from our core brand of JD Williams, and its sister titles in the mature customer segment, is key to achieving our future growth ambitions. This is particularly dependent on our mature female fashion offer, which is the biggest segment of our business. All consumer dynamics emphasise this strategic opportunity – an aging population, increasing dress sizes and a growing propensity for fashion home shopping.

During the second half we have reduced the line-up of titles from seven to three with further migration to come in the first half of 2014. This should ensure that when we re-launch the JD Williams brand in the autumn, we can focus our advertising on one key brand with a primary objective to attract new customers, whilst retaining the loyalty of our existing large base.

The project to make the brand more contemporary in terms of the product range and presentation is well underway. The improvements will also reflect in adjusted stock phasing to improve the percentage of newness throughout the season. For launch we will also be adjusting the range/price mix to improve value for money for customers. The initiative will be supported by an investment in marketing, both direct response to drive increases in new customer numbers, and also in brand awareness to establish longer term health of JD Williams and attract a broader range of customers.

International – USA

In terms of the year's performance, customer numbers grew by 28% in spite of a reduction in recruitment activity between August and November. This was due to poor second order rates in the first half which we addressed by making service improvements, including tracked shipping, which launched in November. Since then second order rates have improved by 10% and are rising and we have resumed a faster rate of customer recruitment. Full year sales were up 21% year on year.

We have adjusted our strategy to exclusively focus on the "fashion focused larger sized female" in the US market using our Simply Be brand. We estimate that this market is worth $6bn and is currently poorly served. Our Simply Be plan for the USA is to tailor our ranges to that target audience, invest some of our strong product margin in better pricing and promotions and deliver on-going service and web experience improvements.

Our marketing focus is also shifting to "digital first" and we are also planning above the line campaigns to drive brand awareness. Customer retention will be underpinned by introducing a credit offer which also has an in-built loyalty scheme offering unique savings. This will be delivered via a third party, and will launch later in the summer. The new team to drive this key strategic initiative is now largely in place and operational.

Due to unfavourable economics associated with returns levels in Germany in the second half we took the decision to close the German website. German customers can still shop from the UK website. The sales impact was small, around £1.2m for the year, as we have not been marketing in Germany for over 12 months. As a result, Germany broke even for the year.

Simply Be & Jacamo Stores as Multi-channel Hubs

Our aim is to have 25 stores across the UK giving 85% of the population physical access to our Jacamo and Simply Be brands. We now have nine stores having opened a further two this year, in Leeds and Derby, both of which are performing in line with model expectations.

Our stores have a rich set of multi-channel capabilities including Click & Collect, in-store kiosks, and tablet-enabled service support from our colleagues. We are also successfully signing up customers for credit accounts, data capture shows that store customers go on to be multi-channel customers and are our most profitable group. The halo effect on line sales in store catchments is 5%.

We plan to open a further seven stores by October which includes a flagship store on Oxford Street in September.

Systems Infrastructure Development

Over the past year we have been scoping a business-wide project to redesign our processes and supporting systems infrastructure to ensure we can deliver industry leading services and operational efficiencies both now and in the future. We have selected products and partners to facilitate this and have now moved into high level design phase. We are simplifying our business and creating the foundations for omni-channel, multi-national expansion whilst retaining our product and brand propositions which we believe are relevant and scalable. We have identified significant benefits from both increased revenues and reduced costs and expect those to flow from 2016.

Unaudited condensed consolidated income statement

	Note	52 weeks to 01-Mar-14 £m		52 weeks to 02-Mar-13 £m	
Revenue	4	**834.9**		784.7	
Operating profit	4	**107.0**		102.2	
Investment income		**0.1**		0.1	
Finance costs		**(7.0)**		(7.2)	
Profit before taxation and fair value adjustments to financial instruments		**100.1**		95.1	
Fair value adjustments to financial instruments	5	**(2.8)**		1.3	
Profit before taxation		**97.3**		96.4	
Taxation	6	**(21.4)**		(17.0)	
Profit attributable to equity holders of the parent		**75.9**		79.4	
Adjusted earnings per share	7				
Basic		**27.88**	**p**	28.15	p
Diluted		**27.69**	**p**	28.09	p
Earnings per share	7				
Basic		**27.09**	**p**	28.51	p
Diluted		**26.91**	**p**	28.45	p

Unaudited condensed consolidated statement of comprehensive income

	52 weeks to 01-Mar-14 £m	52 weeks to 02-Mar-13 £m
Profit for the period	**75.9**	79.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial losses on defined benefit pension schemes	**(2.7)**	(4.0)
Tax relating to items not reclassified	**0.6**	1.0
	(2.1)	(3.0)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(0.4)**	0.4
Total comprehensive income for the period attributable to equity holders of the parent	**73.4**	76.8

Unaudited condensed consolidated balance sheet

	01-Mar-14	02-Mar-13
	£m	£m
Non-current assets		
Intangible assets	**73.3**	69.6
Property, plant & equipment	**63.2**	66.4
Deferred tax assets	**4.8**	3.4
	141.3	139.4
Current assets		
Inventories	**89.9**	86.5
Trade and other receivables	**599.0**	548.7
Derivative financial instruments	**-**	1.2
Cash and cash equivalents	**45.3**	61.3
	734.2	697.7
Total assets	**875.5**	837.1
Current liabilities		
Bank loans	**(9.0)**	-
Trade and other payables	**(98.0)**	(109.7)
Derivative financial instruments	**(1.6)**	-
Current tax liability	**(18.8)**	(19.0)
	(127.4)	(128.7)
Net current assets	**606.8**	569.0
Non-current liabilities		
Bank loans	**(250.0)**	(250.0)
Retirement benefit obligation	**(4.2)**	(3.3)
Deferred tax liabilities	**(8.6)**	(9.1)
	(262.8)	(262.4)
Total liabilities	**(390.2)**	(391.1)
Net assets	**485.3**	446.0
Equity		
Share capital	**31.3**	31.3
Share premium account	**11.0**	11.0
Own shares	**(0.5)**	(0.9)
Foreign currency translation reserve	**1.9**	2.3
Retained earnings	**441.6**	402.3
Total equity	**485.3**	446.0

Unaudited condensed consolidated cash flow statement

	52 weeks to 01-Mar-14 £m	52 weeks to 02-Mar-13 £m
Net cash from operating activities	**40.7**	72.4
Investing activities		
Purchases of property, plant and equipment	**(3.9)**	(7.1)
Purchases of intangible assets	**(16.9)**	(17.9)
Interest received	**0.1**	0.1
Net cash used in investing activities	**(20.7)**	(24.9)
Financing activities		
Interest paid	**(5.7)**	(6.9)
Dividends paid	**(38.9)**	(36.8)
Increase in bank loans	**9.0**	-
Purchase of shares by ESOT	**(1.1)**	(0.5)
Proceeds on issue of shares held by ESOT	**0.7**	0.5
Net cash used in financing activities	**(36.0)**	(43.7)
Net (decrease)/increase in cash and cash equivalents	**(16.0)**	3.8
Opening cash and cash equivalents	**61.3**	57.5
Closing cash and cash equivalents	**45.3**	61.3

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 01-Mar-14 £m	52 weeks to 02-Mar-13 £m
Operating profit	**107.0**	102.2
Adjustments for:		
Depreciation of property, plant and equipment	**7.1**	7.9
Amortisation of intangible assets	**13.2**	11.1
Share option charge	**2.4**	2.1
Operating cash flows before movements in working capital	**129.7**	123.3
Increase in inventories	**(3.4)**	(3.9)
Increase in trade and other receivables	**(51.0)**	(26.4)
(Decrease)/increase in trade and other payables	**(12.7)**	3.1
Pension obligation adjustment	**(1.8)**	(1.9)
Cash generated by operations	**60.8**	94.2
Taxation paid	**(20.1)**	(21.8)
Net cash from operating activities	**40.7**	72.4

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 1 March 2014						
Balance at 2 March 2013	31.3	11.0	(0.9)	2.3	402.3	**446.0**
Profit for the period	-	-	-	-	75.9	**75.9**
Other items of comprehensive income for the period	-	-	-	(0.4)	(2.1)	**(2.5)**
Total comprehensive income for the period	-	-	-	(0.4)	73.8	**73.4**
Equity dividends	-	-	-	-	(38.9)	**(38.9)**
Purchase of own shares by ESOT	-	-	(1.1)	-	-	**(1.1)**
Issue of own shares by ESOT	-	-	1.5	-	-	**1.5**
Adjustment to equity for share payments	-	-	-	-	(0.8)	**(0.8)**
Share option charge	-	-	-	-	2.4	**2.4**
Tax on items recognised directly in equity	-	-	-	-	2.8	**2.8**
Balance at 1 March 2014	**31.3**	**11.0**	**(0.5)**	**1.9**	**441.6**	**485.3**

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 2 March 2013						
Balance at 3 March 2012	31.3	11.0	(1.5)	1.9	359.6	402.3
Profit for the period	-	-	-	-	79.4	79.4
Other items of comprehensive income for the period	-	-	-	0.4	(3.0)	(2.6)
Total comprehensive income for the period	-	-	-	0.4	76.4	76.8
Equity dividends	-	-	-	-	(36.8)	(36.8)
Purchase of own shares by ESOT	-	-	(0.5)	-	-	(0.5)
Issue of own shares by ESOT	-	-	1.1	-	-	1.1
Adjustment to equity for share payments	-	-	-	-	(0.6)	(0.6)
Share option charge	-	-	-	-	2.1	2.1
Tax on items recognised directly in equity	-	-	-	-	1.6	1.6
Balance at 2 March 2013	31.3	11.0	(0.9)	2.3	402.3	446.0

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

The group's financial statements for the 52 weeks ended 1 March 2014 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. As such, these do not constitute the company's statutory accounts and the company expects to publish full financial statements that comply with IFRS by 30 May 2014.

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 2 March 2013 other than that set out below.

IAS 19 (revised) Employee Benefits. An amendment to IAS 19 has impacted the various components representing movements in the defined benefit pension obligation, but not the group's total obligation. Expected returns on plan assets has been replaced with a net finance cost in the income statement. The prior year figures have not been restated as the impact is not material.

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 Conduct Authority and the Office of Fair Trading. These risks are consistent with those disclosed in the 2013 annual report & accounts.

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.

Notes to the unaudited condensed consolidated financial statements (continued)

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 directors have 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 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 any 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 which are committed until March 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

	52 weeks to 01-Mar-14 £m	52 weeks to 02-Mar-13 £m
Analysis of revenue - Home shopping		
Sale of goods	**592.7**	557.8
Rendering of services	**242.2**	226.9
	834.9	784.7
Analysis of result		
Cost of sales	**(394.7)**	(368.6)
Gross profit	**440.2**	416.1
Distribution costs	**(71.1)**	(66.3)
Sales and administration costs	**(262.1)**	(247.6)
Segment result & operating profit - Home shopping	**107.0**	102.2
Investment income	**0.1**	0.1
Finance costs	**(7.0)**	(7.2)
Fair value adjustments to financial instruments	**(2.8)**	1.3
Profit before taxation	**97.3**	96.4

The group has one business segment and one significant geographical segment that operates in and derives revenue from the United Kingdom. Revenue derived from international markets amounted to £31.4m (2013, £30.2m) and incurred operating losses of £3.5m (2013, £1.9m). All segment assets are located in the UK and Ireland.

Notes to the unaudited condensed consolidated financial statements (continued)

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 01-Mar-14 £m	52 weeks to 02-Mar-13 £m
Notional Amount - Sterling contract value	**32.2**	22.1
Fair value of (liability)/asset recognised	**(1.6)**	1.2

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £2.8m (2013, credit of £1.3m) 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.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2013, same). Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly (ie as prices) or indirectly (ie derived from prices). There were no transfers between Level 1 and Level 2 during the period (2013, same).

6. Taxation

The effective rate of corporation tax for the year is 22.0% (2013, 17.6%). The increase year on year is more aligned with the statutory rate, with the prior year being impacted by the tax effect of an adjustment in respect of previous periods which did not occur in the current year.

Notes to the unaudited condensed consolidated financial statements (continued)

7. Earnings per share

Earnings	52 weeks to 01-Mar-14 £m	52 weeks to 02-Mar-13 £m
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**75.9**	79.4
Fair value adjustment to financial instruments (net of tax)	**2.2**	(1.0)
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	**78.1**	78.4

Number of shares	52 weeks to 01-Mar-14 No. ('000s)	52 weeks to 02-Mar-13 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	**280,127**	278,536
Effect of dilutive potential ordinary shares:		
Share options	**1,929**	529
Weighted average number of shares in issue for the purpose of diluted earnings per share	**282,056**	279,065
Earnings per share		
Basic	**27.09 p**	28.51 p
Diluted	**26.91 p**	28.45 p
Adjusted earnings per share		
Basic	**27.88 p**	28.15 p
Diluted	**27.69 p**	28.09 p

Notes to the unaudited condensed consolidated financial statements (continued)

8. Trade and other receivables

	01-Mar-14	02-Mar-13
	£m	£m
Amount receivable for the sale of goods and services	**628.1**	583.5
Allowance for doubtful debts	**(50.2)**	(55.7)
	577.9	527.8
Other debtors and prepayments	**21.1**	20.9
	599.0	548.7

Movement in the allowance for doubtful debts	**01-Mar-14**	02-Mar-13
	£m	£m
Balance at the beginning of the period	**55.7**	49.3
Amounts charged net to the income statement	**67.8**	63.2
Net amounts written off	**(73.3)**	(56.8)
Balance at the end of the period	**50.2**	55.7

9. Dividends

The final proposed dividend of 8.56 pence per share, subject to approval by shareholders, will be paid on 1 August 2014 to shareholders on the register at the close of business on 4 July 2014.

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 1 March 2014 or the 52 weeks ended 2 March 2013. The financial information for the 52 weeks ended 2 March 2013 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 1 March 2014 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 29 April 2014.