29 April 2015

FULL YEAR RESULTS FOR THE 52 WEEKS ENDED 28 FEBRUARY 2015

STRATEGY IMPLEMENTATION PROGRESSING WELL;
CONFIDENCE IN THE FUTURE

Full year results from continuing operations:

- Total group revenue flat at £818.0m (FY14: £818.9m)
- Operating profit excluding exceptionals -11.9% to £93.8m (FY14: £106.5m)
- Statutory operating profit £81.2m (FY14: £106.5m)
- Profit before tax (excluding exceptionals and FX movement) -13.4% to £86.2m (FY14: £99.6m)
- Statutory Profit before tax -21.2% to £76.3m (FY14: £96.8m)
- Adjusted earnings per share from continuing operations 20.49p (FY14: 27.74p)
- Statutory earnings per share from continuing operations 21.23p (FY14: 26.95p)
- Final dividend flat year on year at 8.56p, taking full year dividend to 14.23p, also unchanged on last year
- Net debt £246.6m (FY14: £213.7m)
- Guidance for FY15/16 unchanged

Operational highlights:

- Period of significant modernisation of business, adopting a digital-first mindset
- Change programme and weak Autumn trading impacted profit performance
- Encouraging progress on some key forward indicators
    - Online sales 59% in FY15 and 62% in Q4
    - High level of customer satisfaction
    - Active customer base +2.4%
    - JD Williams relaunch on track, with double-digit increase in new customer orders

Angela Spindler, Chief Executive, said:

"This last year was an important one for our company. We are comprehensively modernising the business in terms of organisation, capability, infrastructure and processes to adopt a digital-first mindset and to ensure that we are fit for the future of retail. We are improving our product proposition and competitive position by investing in quality and price. We have also re-phased our seasonal product and marketing to better reflect consumer spending patterns and to bring the business into line with a modern clothing retail model.

"Step-changing the way the business operates and goes to market in some key areas proved more disruptive than anticipated and this, combined with a weak Autumn trading period across the sector, led to a profit performance below expectations. We are, however, improving the sustainability of future profit growth and look to the year ahead with confidence."

Andrew Higginson, Chairman, said:

"The scale and pace of change required to modernise the business put a great deal of strain on our performance in a difficult year for the clothing sector. The fall in profits was nevertheless a disappointment. However, we laid important foundations for profit recovery and long-term growth. We have now bedded in many of these changes and this year will see us push on with executing our strategy.

"The Board remains confident in the outlook for the business, and we believe that we have the right strategy in place to drive sustainable profitable growth. I would like to thank all stakeholders in the business, and in particular the staff, for all of their hard work, passion and dedication throughout the year."

Meeting for analysts and investors:

Management is hosting a presentation for analysts and investors at 10.30am. Please contact nbrown@newgatecomms.com for further information. A live webcast of the presentation will be available at: www.nbrown.co.uk . A presentation will be made available on the website at 10.30am.

For further information:

N Brown Group
Bethany Hocking, Director of Investor Relations — On the day: 07887 536153
Website: www.nbrown.co.uk — Thereafter: 0161 238 1845

Newgate Communications
Fergus Wylie / Clotilde Gros / Madeleine Palmstierna — 0207 680 6550
nbrown@newgatecomms.com

CEO REVIEW

Strategic update

Our strategy remains unchanged, and we are convinced that we are taking the right actions to fundamentally improve our business and its prospects. Over the course of the past year we have worked hard in three areas. Firstly, the Group has always had a number of important strengths. These include our customer demographics, our extensive customer file, our product fit capabilities, CRM and our credit book. We have been very careful to maintain these strengths.

Secondly, however, we had a number of weaknesses, namely: merchandising, the value for money of some of our products, our digital marketing capability, low brand awareness and an under-invested systems infrastructure. We have made progress in all of these areas, and will continue to focus on them going forward.

Finally, we have a business with significant growth opportunities. These include, but are not limited to, capitalising on our attractive market niches, broadening our appeal and growing scale. We have therefore been investing behind these opportunities – improving product quality and investing in price, introducing cash payment options to allow us to gain incremental customers, expanding internationally and in stores.

Our performance against the KPIs we use to assess long-term progress has been mixed this year:

- We have delivered an excellent performance in customer satisfaction, and we are now ranked third of all UK multi-channel clothing retailers.
- In market share terms we have seen gains of 20bps in 16-plus Ladieswear and +10bps in Menswear in the second half and, whilst encouraged by these small gains, we believe there is significantly more growth potential here.
- Our online penetration has stepped up strongly again, up over 2ppts to 59%, and we exited the year with Q4 penetration of 62%, up 3ppts.
- Our homewares strategy, to focus on "Famous Five" categories (bedding, home décor, homewares, outdoor living and family gifts), is working well, with sales in these categories up 7% yoy.
- We have seen a pleasing international performance, albeit we deliberately constrained our growth as we bedded in a third-party credit offering. USA demand was up 13% for the year.
- Operating margin was 11.5%, down 150bps yoy.

Looking ahead, we have a number of projects in progress. From a customer standpoint we will continue to build the profile of our Power Brands, target increased share of wallet and loyalty from our existing customers, and further drive service enhancements.

On infrastructure, this is the key implementation year for our systems transformation programme, which we call "Fit 4 the Future", and we are also building a major warehouse extension to support our growth. Finally, we are working hard on improving our processes, rationalising our product line count and completing a store efficiency review.

Customer metrics

Our active customer file increased by 2.4% and 23% of demand came from new customers. Online we have seen particularly encouraging metrics, with online demand up 3% and active customer numbers up 4% for the year. Q4 online demand was up 10% and online active customer numbers up 11%. We also continue to see very encouraging conversion rates, up to 5.5% at the year-end which is well ahead of the industry average.

We continue to see very strong demand from mobile devices, with these now accounting for over half of our online traffic.

Product drivers

Over the past year we have made significant improvements to our product quality, further improving our fit and size consistency and improving fabric quality. We are also developing unique and innovative products, which build upon our considerable skills and expertise.

From a price perspective, we decided to make a number of investments to improve our competitive positioning. We have rebalanced our pricing architecture, with clearer definition between good, better and best products. We introduced a small number of key value lines, to highlight our good value credentials to our customers. At the top of our pricing structure we have also improved the ranging of our unique and premium product, with occasionwear being a good example.

For Spring 2015, we also moved JD Williams to “All Sizes One Price”, in line with our other brands. This was following positive results from a number of trials in Autumn 2014, and based on our experience of making the same change in Marisota last year. These changes led in both cases to a percentage margin reduction but importantly, cash margin increased after three to six months. Early results in JD Williams are in line with our expectations following past experience with Marisota, and customer feedback has been very positive.

Financial Services
We are very pleased with the performance of our Financial Services business over the past year. Whilst revenue from Services declined by 2.9%, this was driven by a number of policy changes we chose to make; the gross profit contribution increased year-on-year. Credit arrears are now at the lowest level on record.

Financial Services remain an important part of our business. Our focus is on three areas: maintaining our credit customer base, growing the number of incremental cash customers buying from us, and modernising our Financial Services offer. This latter target is enabled by our systems transformation project “Fit 4 the Future”, which will give us the tools to charge variable APRs, offer promotional interest free periods and allow us to make credit decisions at a product level.

It is early days in our experience of dealing with cash customers, although we are pleased with our initial results. The introduction of cash customers has not resulted in a decline in the population of our credit customers who roll a balance. Instead, cash customers are either incremental or at the expense of credit customers who immediately paid off their balance, not incurring interest charges. Cash customers share similar average order values and order frequencies as this latter group. What is encouraging from a profitability perspective, however, is that cash customers have a 6ppts lower returns rate than either group of our credit customers.

In common with the wider industry, we are now regulated by the FCA, having historically being regulated by the OFT. We are progressing with our full FCA authorisation.

Systems investment – Fit 4 the Future
Our systems transformation project, called Fit 4 the Future, is now led by our new CIO Andy Haywood. He and his team have carried out a comprehensive review of the project, with a focus on priorities, deliverability and, importantly, risk minimisation. The number of systems releases have been streamlined and the project length reduced.

The project is primarily focused on customer facing improvements. In association with the significant systems change, we are also running in parallel an organisational change programme to ensure that we maximise the benefits of our investment.

The overall project has been re-scoped by the new team and the business case reviewed, with our latest projections for costs and benefits shown below. The benefits case remains compelling. The benefit types include cost reductions, increased demand, improved margin and cost avoidance. Some of these benefits will be reinvested back into the business. The benefits case now reflects a higher level of investment in systems development, even post implementation, due to the pace of industry change.

The costs and expected benefits for the three release streams of the project are as follows:

£m	Cost	Benefits
Global multi-channel transformation	41	24
Credit transformation	9	12
Planning transformation	15	9
Total	65	45

We expect these annual benefits to start to ramp up from H2 FY16/17 onwards, with the full impact from FY19/20.

Fit 4 the Future will give us a considerable number of tools in order to drive future growth and improve efficiency, allowing us to trade with far more agility going forwards. The benefits of the programme include significantly improved speed to market, cloud-hosted technology, a new international web platform, new financial products, improved personalisation, a new customer contact centre system and a real-time single customer view.

International & Stores update

USA

Our performance in the USA was pleasing, with product demand growth of 13%. We reduced the operating loss significantly, from £4.7m to £2.5m.

Revenue growth was somewhat constrained by our decision to dial-down our recruitment activity as we bedded in our third-party credit provider. This credit offer has performed strongly and has significantly improved customer loyalty, with credit customers seeing a 250% uplift in second order rates versus cash customers.

Our systems transformation programme includes the launch of a new international web platform. Until this platform is live in mid-2016, we will remain in cautious expansion mode in the USA, with a focus on further improving customer loyalty, building brand awareness and minimising operating losses.

Simply Be and Jacamo stores

Sales from our Simply Be and Jacamo stores were up 64% to £13m. The operating loss increased slightly, from £1.6m to £1.8m, which we view as a strong performance against the backdrop of a significant store opening programme.

Today we have 15 stores, of which 14 are dual-fascia. This includes five stores we opened during FY14/15, together with our Exeter store which opened in March 2015. Exeter is our best performing new store to date.

Our long-term strategy here is unchanged – we plan to open a total of 25 stores, covering 85% of the population. We continue to see a positive halo effect from our store portfolio and they are also important in terms of serving customers and building brand awareness. This year we are carrying out an efficiency review, focused on logistics, because we believe our operations could be further optimised in this area. We will update the market on this review at the interim results in October.

FY15/16 Guidance

Our guidance remains unchanged to that announced at the Q4 statement on 11th March:

- Gross margin -100bps to flat year-on-year.
- Group operating costs up mid-single digit year-on-year
- Depreciation and amortisation in the range of £25m to £28m
- Net interest costs in the range of £8m to £10m
- Capital expenditure of £50m to £60m, as we accelerate our systems transformation project and invest in an extension of our warehouse to support future growth.

In addition we are today providing two further items of guidance for FY15/16:

- Tax rate of c.20%
- Exceptional costs of £5m - £7m associated with business restructuring

Outlook

The UK retail sector is changing at a significant pace, and we are changing even faster as we modernise the business so that we can thrive in the new online-first world. Current trading is in line with our expectations.

New reporting calendar
Following the change in reporting requirements and driven by a desire to improve the quality of our communications, we are simplifying our external reporting calendar.

We will now issue a Q1 statement in mid-June, followed by our interim results in October, in which our Q2 performance will be clearly highlighted. We will then issue a Christmas trading statement in mid-January, which will cover our Q3 period together with December and early-January trading figures.

For FY15/16 our scheduled announcement dates will be:

- Q1 statement – 19th June 2015
- Interims – 14th October 2015
- Q3 / Christmas trading statement – 21st January 2016
- Prelims – late April 2016

FINANCIAL RESULTS

Revenue
Total continuing Group revenue was -0.1% to £818.0m. Within this, revenue from the sale of goods increased by 1.1% to £582.9m and revenue from services declined by 2.9% to £235.1m.

The table below shows revenue performance by brand.

£m continuing operations	Year to 28 Feb 2015	Year to 1 March 2014	% change
JD Williams	294.6	302.8	-2.7%
Simply Be	134.2	132.4	+1.4%
Jacamo	77.3	69.6	+11.1%
Power Brands	**506.1**	**504.8**	**+0.3%**
Support Brands	234.4	245.3	-4.4%
Specialist Brands	77.5	68.8	+12.6%
Continuing revenue	**818.0**	**818.9**	**-0.1%**

Whilst we are encouraged by the relaunch of JD Williams, the poor weather in September 2014 impacted sales performance, accounting for half of the year-on-year decline in revenue of this brand. Simply Be was also impacted, although to a lesser extent, by the unseasonal trading conditions. Jacamo performed strongly with sales up 11%, and we are taking learnings from the success we have seen with Jacamo to our other menswear brands.

In line with our strategy of focusing both our efforts and our marketing spend on our power brands, revenue from Support Brands declined by 4.4% and accounted for 28.7% of total continuing revenue, down 130bps versus last year.

Our specialist brands performed strongly in the year, with revenue +12.6% to £77.5m. This was driven by a strong result from House of Bath.

£m continuing operations	Year to 28 Feb 2015	Year to 1 March 2014	% change
Gross Profit	425.6	431.1	-1.3%
Gross Margin %	52.0%	52.6%	-60bps
Distribution costs	(73.9)	(69.4)	6.5%
Sales & Administration costs	(257.9)	(255.2)	1.1%
Operating profit before exceptional costs	**93.8**	**106.5**	**-11.9%**
Operating margin	11.5%	13.0%	-150bps

Gross margin

Overall gross margin was 52.0%, down from 52.6% last year. Product gross margin negatively impacted group gross margin by -130bps. This was driven by tactical markdowns and price investment, partially offset by the benefit of better buying. Financial Services margin had a +70bps impact on group gross margin, driven by a better bad debt performance. The net bad debt charge declined by 2.1% to £66.4m from £67.8m last year.

Operating costs

Distribution costs increased by 6.5%, driven by volumes up 4.2% yoy. We also invested in our delivery proposition to ensure we remained competitive. Finally, our new stores also led to increased distribution costs.

Sales and administration costs were up 1.1% to £257.9m, a solid performance. Within this marketing costs were marginally down year-on-year.

Net finance costs

Net finance costs were £7.6m compared to £6.9m last year, due to higher levels of average borrowings.

Exceptional items

Total exceptional costs totalled £12.6m (FY13/14: nil). These comprise £5.6m on strategy costs, which include the outsourcing of our call centre to Serco and Group re-organisation costs. These exceptional items are broadly in line with the £5m previously guided to.

We also incurred £7.0m exceptional costs for VAT. This relates to a potential settlement with HMRC in respect of VAT recovery on bad debts written off over a number of years. We anticipate that this matter will be settled in the current financial year.

We are also in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is not possible to determine when or how this matter will be resolved. However, within our year end VAT creditor is an asset of £16.7m which has arisen as a result of cash payments made under protective assessments raised by HMRC. Based on legal counsels' advice, we believe that we will recover this amount in full from HMRC.

Discontinued operation – Gray & Osbourn

Following a review of the business and its future profit potential, the board decided to close the Gray & Osbourn catalogue business in January 2015. The closure process is ongoing, with Spring/Summer 2015 being used to clear remaining inventory. We expect operations to cease by the end of August 2015. Given the decision to close this business it is now classified as a discontinued operation.

Taxation

The effective rate of corporation tax for the year is 21.7% (FY13/14 22.0%). The tax charge for the year is £16.5m (FY13/14, £21.3m) which meant that profit after taxation and attributable to shareholders was down by 34.9% to £49.4m (£75.9m).

Earnings per share

Adjusted earnings per share from continuing operations were 20.49p (FY13/14: 27.74p). Statutory earnings per share from continuing operations were 21.23p (FY13/14: 26.95p).

Dividends

The board is proposing a final dividend of 8.56 pence per share, flat on last year, giving a full year dividend of 14.23 pence, also unchanged on the year, and covered 1.44 times (FY13/14: 1.95 times).

Capital expenditure
Capitalised expenditure for the year was £62.7m (FY13/14, £20.8).

The breakdown of our capital expenditure is as follows:

£m	Year to 28 Feb 2015
Fit 4 the Future	17
Warehouse	7
Stores	7
IT	21
Other	10
Total capital expenditure	62.7

IT spend of £21m includes some necessary additional investment in our proposition in order to ensure that we remain competitive prior to our new systems coming on-stream.

Balance Sheet and Cash Flow

Inventory levels at the year-end increased by 5.4% to £94.8m (FY13/14 £89.9m). This was driven by the timing of new season intake.

Trade receivables increased by 1.6% to £587.4m (FY13/14, £577.9m). The bad debt provision decreased to £40.5m (FY13/14 £50.2m) which equates to 6.5% (FY13/14, 8.0%) of gross debtors. The reduction in the provision reflects the improvement in customer arrears profiles. The lower level of customer recruitment in the year due to the weak autumn trading conditions also had a beneficial impact on bad debt.

The deficit position of the group's defined benefit pension scheme has reduced to £3.3m compared to £4.2m at the prior year end. The movement predominately arises from a net actuarial gain of £1.4m together with service costs of £2.4m offset by contributions of £1.9m.

Net cash generated from operations increased from £60.8m to £93.8m driven by an improvement in working capital as a consequence of slower growth in trade receivables. After funding capital expenditure, finance costs, taxation and dividends, net debt increased by £32.9m to £246.6m (FY13/14, £213.7m). Gearing levels increased from 44% to 50%.

Unaudited condensed consolidated income statement

Continuing operations	Note	52 weeks to 28-Feb-15 £m		52 weeks to 01-Mar-14 £m	
Revenue	4	**818.0**		818.9	
Operating profit before exceptional items		**93.8**		106.5	
Exceptional items	5	**(12.6)**		-	
Operating profit	4	**81.2**		106.5	
Investment income		**0.1**		0.1	
Finance costs		**(7.7)**		(7.0)	
Profit before taxation and fair value adjustments to financial instruments		**73.6**		99.6	
Fair value adjustments to financial instruments	7	**2.7**		(2.8)	
Profit before taxation		**76.3**		96.8	
Taxation	8	**(16.5)**		(21.3)	
Profit for the year from continuing operations		**59.8**		75.5	
(Loss)/profit for the year from discontinued operations	6	**(10.4)**		0.4	
Profit attributable to equity holders of the parent		**49.4**		75.9	
Adjusted earnings per share from continuing operations	9				
Basic		**20.49**	**p**	27.74	p
Diluted		**20.43**	**p**	27.55	p
Earnings per share from continuing operations	9				
Basic		**21.23**	**p**	26.95	p
Diluted		**21.17**	**p**	26.77	p
Earnings per share from continuing and discontinued operations	9				
Basic		**17.54**	**p**	27.09	p
Diluted		**17.49**	**p**	26.91	p

Unaudited condensed consolidated statement of comprehensive income

	52 weeks to 28-Feb-15 £m	52 weeks to 01-Mar-14 £m
Profit for the period	**49.4**	75.9
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on defined benefit pension schemes	**1.4**	(2.7)
Tax relating to items not reclassified	**(0.3)**	0.6
	1.1	(2.1)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(0.9)**	(0.4)
Total comprehensive income for the period attributable to equity holders of the parent	**49.6**	73.4

Unaudited condensed consolidated balance sheet

	Note	28-Feb-15 £m	01-Mar-14 £m
Non-current assets			
Intangible assets		**98.3**	73.3
Property, plant & equipment		**70.5**	63.2
Deferred tax assets		**3.2**	4.8
		172.0	141.3
Current assets			
Inventories		**94.8**	89.9
Trade and other receivables	10	**609.9**	599.0
Derivative financial instruments	7	**1.1**	-
Cash and cash equivalents		**40.4**	45.3
		746.2	734.2
Total assets		**918.2**	875.5
Current liabilities			
Bank loans		**(7.0)**	(9.0)
Trade and other payables		**(108.9)**	(98.0)
Derivative financial instruments	7	**-**	(1.6)
Current tax liability		**(13.9)**	(18.8)
		(129.8)	(127.4)
Net current assets		**616.4**	606.8
Non-current liabilities			
Bank loans		**(280.0)**	(250.0)
Retirement benefit obligation		**(3.3)**	(4.2)
Deferred tax liabilities		**(8.5)**	(8.6)
		(291.8)	(262.8)
Total liabilities		**(421.6)**	(390.2)
Net assets		**496.6**	485.3
Equity			
Share capital		**31.3**	31.3
Share premium account		**11.0**	11.0
Own shares		**(0.3)**	(0.5)
Foreign currency translation reserve		**1.0**	1.9
Retained earnings		**453.6**	441.6
Total equity		**496.6**	485.3

Unaudited condensed consolidated cash flow statement

	52 weeks to 28-Feb-15 £m	52 weeks to 01-Mar-14 £m
Net cash from operating activities	**73.1**	40.7
Investing activities		
Proceeds on disposal of property, plant and equipment	**0.1**	-
Purchases of property, plant and equipment	**(14.9)**	(3.9)
Purchases of intangible assets	**(44.6)**	(16.9)
Interest received	**0.1**	0.1
Net cash used in investing activities	**(59.3)**	(20.7)
Financing activities		
Interest paid	**(7.4)**	(5.7)
Dividends paid	**(40.0)**	(38.9)
Increase in bank loans	**28.0**	9.0
Purchase of shares by ESOT	**(0.2)**	(1.1)
Proceeds on issue of shares held by ESOT	**0.9**	0.7
Net cash used in financing activities	**(18.7)**	(36.0)
Net decrease in cash and cash equivalents	**(4.9)**	(16.0)
Opening cash and cash equivalents	**45.3**	61.3
Closing cash and cash equivalents	**40.4**	45.3

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 28-Feb-15 £m	52 weeks to 01-Mar-14 £m
Operating profit from continuing operations	**81.2**	106.5
Operating (loss)/profit from discontinued operations	**(11.0)**	0.5
Adjustments for:		
Depreciation of property, plant and equipment	**8.0**	7.1
Gain on disposal of property, plant and equipment	**(0.1)**	-
Amortisation of intangible assets	**15.0**	13.2
Impairment of intangible assets	**8.0**	-
Share option charge	**2.1**	2.4
Operating cash flows before movements in working capital	**103.2**	129.7
Increase in inventories	**(4.9)**	(3.4)
Increase in trade and other receivables	**(9.9)**	(51.0)
Increase/(decrease) in trade and other payables	**5.1**	(12.7)
Pension obligation adjustment	**0.3**	(1.8)
Cash generated by operations	**93.8**	60.8
Taxation paid	**(20.7)**	(20.1)
Net cash from operating activities	**73.1**	40.7

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 28 February 2015						
Balance at 1 March 2014	31.3	11.0	(0.5)	1.9	441.6	**485.3**
Profit for the period	-	-	-	-	49.4	**49.4**
Other items of comprehensive income for the period	-	-	-	(0.9)	1.1	**0.2**
Total comprehensive income for the period	-	-	-	(0.9)	50.5	**49.6**
Equity dividends	-	-	-	-	(40.0)	**(40.0)**
Purchase of own shares by ESOT	-	-	(0.2)	-	-	**(0.2)**
Issue of own shares by ESOT	-	-	0.4	-	-	**0.4**
Adjustment to equity for share payments	-	-	-	-	0.5	**0.5**
Share option charge	-	-	-	-	2.1	**2.1**
Tax on items recognised directly in equity	-	-	-	-	(1.1)	**(1.1)**
Balance at 28 February 2015	**31.3**	**11.0**	**(0.3)**	**1.0**	**453.6**	**496.6**
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

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

The group's financial statements for the 52 weeks ended 28 February 2015 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 5 June 2015.

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 1 March 2014.

2. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have an impact on the group's long-term performance as follows: Failure to recognise the need for change; Competition; Regulatory environment; IT systems; Overseas ventures, People; and Business interruption.

In addition, the group continues to have a number of open taxation positions and the calculation of the group’s potential liabilities or assets in the respect of these necessarily involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a formal legal process.

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 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. The group is in advanced negotiations with its bankers in relation to the extension of these facilities to ensure appropriate levels of committed funds are in place beyond 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

Continuing operations	**52 weeks to 28-Feb-15 £m**	52 weeks to 01-Mar-14 £m
Analysis of revenue - Home shopping		
Sale of goods	**582.9**	576.7
Rendering of services	**235.1**	242.2
	818.0	818.9
Analysis of result		
Cost of sales	**(392.4)**	(387.8)
Gross profit	**425.6**	431.1
Distribution costs	**(73.9)**	(69.4)
Sales and administration costs	**(257.9)**	(255.2)
Exceptional items (see note 5)	**(12.6)**	-
Segment result & operating profit - Home shopping	**81.2**	106.5
Investment income	**0.1**	0.1
Finance costs	**(7.7)**	(7.0)
Fair value adjustments to financial instruments	**2.7**	(2.8)
Profit before taxation	**76.3**	96.8

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 £30.2m (2014, £31.4m) and incurred operating losses of £1.3m (2014, £3.5m). All segment assets are located in the UK and Ireland.

5. Exceptional items

	52 weeks to 28-Feb-15 £m	52 weeks to 01-Mar-14 £m
Strategy costs	**5.6**	-
VAT	**7.0**	-
	12.6	-

Strategy costs of £5.6m relate to exceptional items arising from the outsourcing of our Call Centre to Serco in January 2015.

The VAT exceptional item relates to a potential settlement with HMRC which has been under dispute for a number of years in respect of VAT recovery on bad debts written off.

Notes to the unaudited condensed consolidated financial statements (continued)

6. Discontinued operations

Following a review of the business and its future profit potential, the board decided in January 2015 to close the Gray & Osbourn catalogue business. The process is ongoing and will continue into the next financial year. We expect operations to cease by the end of August 2015.

The results of the discontinued operation, which have been included in the consolidated income and cashflow statement, were as follows:

	52 weeks to 28-Feb-15 £m	52 weeks to 01-Mar-14 £m
Revenue	**14.5**	16.0
Expenses	**(17.5)**	(15.5)
Brand impairment	**(8.0)**	-
(Loss)/profit before tax	**(11.0)**	0.5
Attributable tax credit/(expense)	**0.6**	(0.1)
Net (loss)/profit attributable to discontinued operations	**(10.4)**	0.4

The effect of the contribution of the discontinued operations on the group's cash flows have not been disclosed as they are not considered to be significant.

7. 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 28-Feb-15 £m	52 weeks to 01-Mar-14 £m
Notional Amount - Sterling contract value	**33.9**	32.2
Fair value of asset/(liability) recognised	**1.1**	(1.6)

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a credit of £2.7m (2014, charge of £2.8m) 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 (2014, 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 (2014, same).

8. Taxation

The effective rate of corporation tax for the year from continuing activities is 21.7% (2014, 22.0%). We expect our tax rate for the year ahead to be aligned with the UK statutory rate of 20%.

Notes to the unaudited condensed consolidated financial statements (continued)

9. Earnings per share

Earnings	**52 weeks to 28-Feb-15 £m**	52 weeks to 01-Mar-14 £m
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**49.4**	75.9
Adjustments to exclude loss/(profit) for the period from discontinued operations	**10.4**	(0.4)
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share excluding discontinued operations	**59.8**	75.5
Fair value adjustment to financial instruments (net of tax)	**(2.1)**	2.2
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share excluding discontinued operations	**57.7**	77.7

Number of shares	**52 weeks to 28-Feb-15 No. ('000s)**	52 weeks to 01-Mar-14 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	**281,612**	280,127
Effect of dilutive potential ordinary shares: Share options	**856**	1,929
Weighted average number of shares in issue for the purpose of diluted earnings per share	**282,468**	282,056

Earnings per share from continuing and discontinued operations				
Basic	**17.54**	**p**	27.09	p
Diluted	**17.49**	**p**	26.91	p
Earnings per share from continuing operations				
Basic	**21.23**	**p**	26.95	p
Diluted	**21.17**	**p**	26.77	p
Adjusted earnings per share from continuing operations				
Basic	**20.49**	**p**	27.74	p
Diluted	**20.43**	**p**	27.55	p
Earnings per share from discontinued operations				
Basic	**(3.69)**	**p**	0.14	p
Diluted	**(3.68)**	**p**	0.14	p

Notes to the unaudited condensed consolidated financial statements (continued)

10. Trade and other receivables

	28-Feb-15	01-Mar-14
	£m	£m
Amount receivable for the sale of goods and services	**627.9**	628.1
Allowance for doubtful debts	**(40.5)**	(50.2)
	587.4	577.9
Other debtors and prepayments	**22.5**	21.1
	609.9	599.0

Movement in the allowance for doubtful debts	**28-Feb-15**	01-Mar-14
	£m	£m
Balance at the beginning of the period	**50.2**	55.7
Amounts charged net to the income statement	**66.4**	67.8
Net amounts written off	**(76.1)**	(73.3)
Balance at the end of the period	**40.5**	50.2

11. Dividends

The final proposed dividend of 8.56 pence per share, subject to approval by shareholders, will be paid on 31 July 2015 to shareholders on the register at the close of business on 3 July 2015.

12. 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 28 February 2015 or the 52 weeks ended 1 March 2014. The financial information for the 52 weeks ended 1 March 2014 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 28 February 2015 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 28 April 2015.