

N Brown Group plc

Interim Report 2011

FASHION GOING FORWARD.

New channels,
New directions,
New audiences.





Financial Summary

(for the 26 weeks ended 27 August 2011)

	2011	2010
Revenue	£363.7m	£349.7m
Operating profit	£47.0m	£46.2m
Adjusted profit before taxation*	£44.0m	£44.1m
Profit before taxation	£44.8m	£42.3m
Adjusted earnings per share	12.10p	12.15p
Earnings per share	12.32p	11.67p
Dividends per share	5.29p	5.04p
Net assets	£371.1m	£327.0m
Net asset value per share	130.9p	116.6p
Net borrowings	£196.7m	£173.1m
Gearing	53%	53%

*Excluding fair value adjustments to financial instruments.

In an exceptionally difficult economic environment for our customers, we have continued to show progress across the business in the results for the 26 weeks to 27 August 2011. We have also continued to implement our broader strategic plan and have invested heavily in our recent acquisitions, international market development and trial stores for Simply Be. While collectively these have had an adverse impact on profitability in the short-term we expect the benefits to come through from 2012 onwards.

Financial Results

Total group revenue has increased by 4.0% to £363.7m. Adjusting for the timing of the acquisition of Fingleaves and the new High & Mighty stores, like-for-like revenue has grown by 1.5% in the first half. The rate of gross margin has improved by 1.2% to 54.9% due to the strength of our financial income revenue and a lower rate of charge for bad debts, offset by a higher level of promotional discounts. Operating profit was up by 1.7% at £47.0m and profit before taxation was up by 5.9% to £44.8m. Excluding the fair value adjustment on foreign exchange contracts, but including the investments made in the business to drive long-term growth, profit before tax was £44.0m (2010, £44.1m) and adjusted earnings per share were 12.10p (2010, 12.15p).

There was a net cash outflow of £15.8m resulting in net borrowings of £196.7m (2010, £173.1m) on which net financial costs were £3.0m (2010, £2.1m) reflecting the higher margin payable on the 5-year securitisation facility we renewed earlier this year. Gearing was maintained at 53% based on net assets of £371.1m, up by 13.5%.

The interim dividend will be increased by 5.0% to 5.29p, moving towards our medium term target of a twice covered dividend.

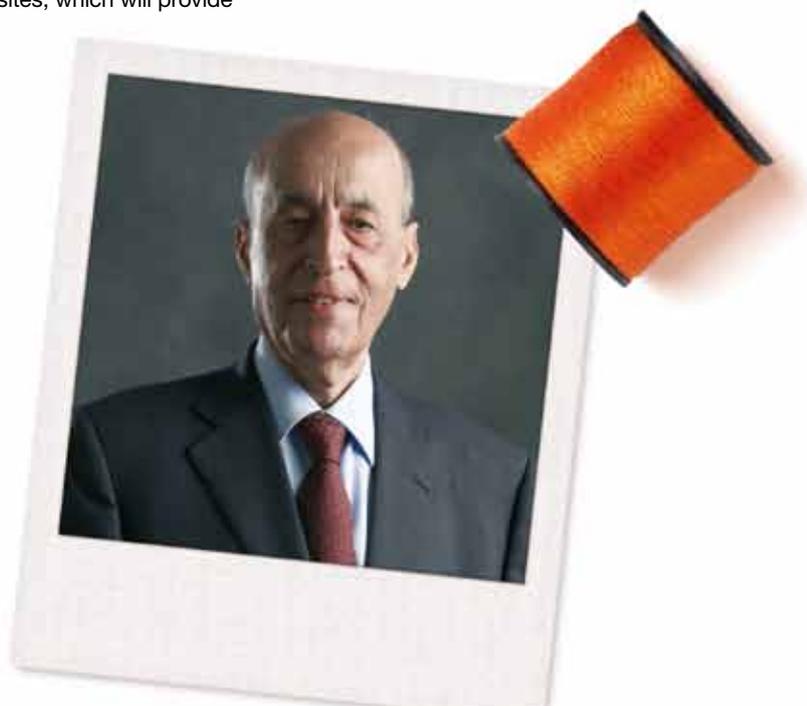
Trading Highlights

Revenue growth has been driven by increased online penetration, the development of our younger brands including through the international expansion of Simply Be, an increase in interest income from customers accounts, and improvements at the recently acquired Fingleaves and High & Mighty.

Online sales have continued to grow strongly during the period. They now account for 48% of total home shopping revenue, having increased by 17% over last year. These statistics are the result of growing online penetration across all our brands, as our websites have increased functionality and are easier and quicker to use, the acquisition of the Fingleaves online lingerie business, and the growth in overseas markets where online sales account for 75% of revenue. We have completed the £7m project to implement a new web content management system across our fifty websites, which will provide

the platform for the next generation of online enhancements, with individual personalisation of websites the ultimate goal. We now have a highly sophisticated, state of the art system, which is fully capable of coping in an era when we expect a significant majority of our sales to be via the internet, with all that means for cost benefits and higher order values.

Sales from our younger brands, targeted at customers under 45, were up by 14% to £128m. Jacamo is the fastest growing brand with revenue up by 66% for its offer of fashionable menswear available in larger sizes, usually supplied to us exclusively, and which has recently recruited Freddie Flintoff as its brand ambassador. Simply Be had modest growth in UK sales but its international revenue more than doubled to £4.1m (2010, £1.5m). Sales by Simply Be in the USA were on plan and have already overtaken those in Germany, where the returns rate remains stubbornly high. Losses on the international activities were £2.7m (2010, £1.1m) as we invested over £3m to build up the database of customers, in line with a forecasted loss for the year of £4m.



Sales from our midlife brands, for customers in the 45-65 age bracket, were largely unchanged from last year. Within this there were strong performances from Marisota and House of Bath as well as from the menswear brands, principally Premier Man and High & Mighty. The number of High & Mighty outlets has increased to 19 with new stores in Watford and Exeter. Most of the stores have been refitted or relocated since we acquired the business in late 2009 and we are delighted with same stores sales growth of 7%. Sales from the long-established catalogues, such as JD Williams, were 3% below last year. These customers are 60 years old on average and are suffering from high inflation on food, fuel and energy prices which is reducing their already low disposable income. This combination of economic circumstances is also the principal reason for a 5% decline in sales to our 65 plus customers, who buy from our older brands such as Julipa.

Inflation in our cost prices was 8% due to higher raw material and labour costs in the Far East. Customer reaction to these higher prices was very mixed. The number of established customers who ordered fell by 5%, but the vast majority who did order spent 6% more than last year. What customers bought was also polarised with our more expensive branded and exclusive ranges doing extremely well, but there was a large proportion of the customer base who waited for promotional discount offers before placing an order. The overall mix of sales resulted in an average selling price which was up 12%, with the lower number of units sold contributing to lower fulfilment costs.

Within our product ranges menswear continued to exhibit the fastest growth rate with sales up by 16%. The success of Premier Man, Jacamo and High & Mighty all contributed to this success.

Ladieswear sales were up by 2% in total, but outerwear was down 2%, with strong sales on branded and premium ranges offset by weak demand on basic lines. Customers are choosing to prolong the life of their everyday clothing and spend their reduced disposable income on special items. Figleaves generated its revenue growth through increased sales of own brand, which now accounts for 19% of the total, and we are now running the business much leaner than before. Sales of underwear in the group were up 20% in total. Footwear sales were up 3% with positive results in all ranges, including Viva La Diva and sports footwear.

Home and leisure sales were up by 4% at £84m. Soft furnishings suffered from the high cotton prices but we had excellent performances from toys and gifts, health and beauty, homewares and even electrical, despite continuing the restrictive credit policy on higher priced items.

Gross Margin and Overheads

The 1.2% improvement in the rate of gross margin results from increased financial income growth and a reduction in the rate of bad debt charge, offset by a lower achieved margin on product sales due to an adverse sales mix and higher levels of promotional discounts.

Distribution costs have benefited from higher selling prices and better collation of items in each parcel, due to increased online penetration and better stock availability. Selling and administration costs were up by 10.5%, but over half this increase was due to investment in the new businesses.

Current Trading and Outlook

In 2011 we have seen the consumer under severe pressure from a combination of higher taxes, significant commodity price increases, especially in fuel and energy, fears over unemployment and turmoil in the global financial markets.

However there should be some more beneficial factors affecting trading conditions in 2012. Inflation should fall as the VAT rate increase drops out of the retail price index and we are already seeing significant reductions in most commodity prices from their high levels in early 2011. Cotton prices have halved since March 2011 which will deliver benefits as we progress through 2012, and there are also reductions, albeit less dramatic, for synthetic fibres. We will however continue to see high levels of wage inflation in the Far East markets but in aggregate we expect stable, if not lower, prices in 2012. We are significantly increasing the goods sourced from UK textile manufacturers and we are actively helping to build up the sector's production capacity.

We will continue to implement our strategic plan. In our core business the focus on our customers' specific needs and finding the best solutions for them will remain our overriding aim. Increasingly these solutions are being delivered through the online channel which will continue to expand, but we will also be enhancing the service options available through our contact and distribution centres. We will be working hard to get customers who have not

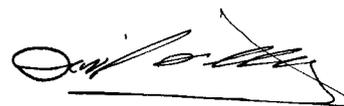
ordered so far this year to become active again.

In the last few days we have opened Simply Be stores in Liverpool One and at The Rock in Bury. These stores, utilising the latest digital technology, are aiming to give Simply Be's current and potential customers a better shopping experience, both in-store but also on a multi-channel basis for orders, returns and credit account transactions. We will be monitoring the results with a keen interest. Initial responses from customers have been very positive but it is early days. We have already identified five further locations for stores in 2012 and we will then take time to evaluate the incrementality and profitability of this new channel to market.

The recent acquisitions of High & Mighty and Figleaves are developing well and we expect them to contribute to profit next year. Similarly we would expect this year to be the peak for international losses as the customer database next year will have a better balance between new and existing customers.

Trading in the first six weeks of the second half (which will be a 27-week period to 3 March 2012) was 1.4% down in total, and 1.5% down on a like-for-like basis, with significant variation from week to week. The outcome for the half will be determined by customers' attitude to Christmas shopping for both clothes and gifts, and also the year on year weather patterns. We have taken action in the first half to reduce our overheads, and these savings will be evident in the second half of the year. We also believe the flexibility of our business model and the improved ability to trade our websites will continue to be positive attributes. The investments we have made in 2011 will leave the business well-placed for 2012 and beyond when economic conditions are more favourable.

Everyone in the business has worked extremely hard in difficult circumstances and I would like to thank them all for their contribution.



**Lord Alliance of Manchester, CBE
11 October 2011**

Unaudited Condensed Consolidated Income Statement

	Note	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Revenue	4	363.7	349.7	718.8
Operating profit	4	47.0	46.2	102.6
Investment income		2.1	2.0	4.1
Finance costs		(5.1)	(4.1)	(8.5)
Profit before taxation and fair value adjustments to financial instruments		44.0	44.1	98.2
Fair value adjustments to financial instruments	5	0.8	(1.8)	(3.7)
Profit before taxation		44.8	42.3	94.5
Taxation	6	(10.8)	(10.2)	(22.8)
Profit attributable to equity holders of the parent		34.0	32.1	71.7
Adjusted earnings per share	7			
Basic		12.10p	12.15p	27.02p
Diluted		12.08p	12.13p	26.98p
Earnings per share	7			
Basic		12.32p	11.67p	26.04p
Diluted		12.30p	11.66p	26.00p

Unaudited Condensed Consolidated Statement of Comprehensive Income

	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Profit for the period	34.0	32.1	71.7
Other items of comprehensive income			
Exchange differences on translation of foreign operations	0.3	(1.5)	(0.6)
Actuarial losses on defined benefit pension schemes	(5.4)	(7.6)	(2.3)
Tax related to components of other comprehensive income	1.4	2.1	0.6
	(3.7)	(7.0)	(2.3)
Total comprehensive income for the period attributable to equity holders of the parent	30.3	25.1	69.4

Unaudited Condensed Consolidated Balance Sheet

	27 Aug 11 £m	28 Aug 10 £m	26 Feb 11 £m
Non-current assets			
Intangible assets	58.4	48.8	52.2
Property, plant & equipment	67.7	71.4	69.1
Retirement benefit surplus	-	-	3.3
Deferred tax assets	3.5	2.7	3.5
	129.6	122.9	128.1
Current assets			
Inventories	84.1	70.0	78.1
Trade and other receivables	508.1	471.3	490.8
Derivative financial instruments	-	0.5	-
Cash and cash equivalents	33.3	56.9	49.1
	625.5	598.7	618.0
Total assets	755.1	721.6	746.1
Current liabilities			
Bank loans and overdrafts	(40.0)	-	(40.0)
Trade and other payables	(111.7)	(124.0)	(114.5)
Derivative financial instruments	(0.6)	-	(1.4)
Current tax liability	(32.1)	(28.2)	(28.8)
	(184.4)	(152.2)	(184.7)
Net current assets	441.1	446.5	433.3
Non-current liabilities			
Bank loans	(190.0)	(230.0)	(190.0)
Retirement benefit obligation	(0.2)	(2.2)	-
Deferred tax liabilities	(9.4)	(10.2)	(11.0)
	(199.6)	(242.4)	(201.0)
Total liabilities	(384.0)	(394.6)	(385.7)
Net assets	371.1	327.0	360.4
Equity			
Share capital	31.3	31.0	31.0
Share premium account	11.0	11.0	11.0
Own shares	(1.4)	(1.2)	(1.2)
Foreign currency translation reserve	2.4	1.2	2.1
Retained earnings	327.8	285.0	317.5
Total equity	371.1	327.0	360.4

Unaudited Condensed Consolidated Cash Flow Statement

	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Net cash from operating activities	20.5	38.7	57.4
Investing activities			
Purchases of property, plant and equipment	(2.6)	(4.0)	(6.4)
Purchases of intangible assets	(10.1)	(6.4)	(15.7)
Acquisition of subsidiary	-	(10.6)	(10.3)
Interest received	0.1	0.1	0.2
Net cash used in investing activities	(12.6)	(20.9)	(32.2)
Financing activities			
Interest paid	(2.9)	(2.6)	(4.2)
Dividends paid	(20.3)	(17.7)	(31.5)
Purchase of shares by ESOT	(0.9)	(0.8)	(0.8)
Proceeds on issue of shares held by ESOT	0.4	0.3	0.5
Net cash used in financing activities	(23.7)	(20.8)	(36.0)
Net decrease in cash and cash equivalents	(15.8)	(3.0)	(10.8)
Opening cash and cash equivalents	49.1	59.9	59.9
Closing cash and cash equivalents	33.3	56.9	49.1

Reconciliation of Operating Profit to Net Cash from Operating Activities

	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Operating profit	47.0	46.2	102.6
Adjustments for:			
Depreciation of property, plant and equipment	4.0	4.0	7.8
Amortisation of intangible assets	3.9	3.3	6.9
Share option charge	1.2	1.1	2.1
Operating cash flows before movements in working capital	56.1	54.6	119.4
Increase in inventories	(6.0)	(3.9)	(12.0)
Increase in trade and other receivables	(17.0)	(11.0)	(29.8)
(Decrease)/increase in trade and other payables	(3.1)	13.5	3.7
Pension obligation adjustment	(1.8)	(7.2)	(7.4)
Cash generated by operations	28.2	46.0	73.9
Taxation paid	(7.7)	(7.3)	(16.5)
Net cash from operating activities	20.5	38.7	57.4

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 26 weeks to 27 August 2011						
Balance at 26 February 2011	31.0	11.0	(1.2)	2.1	317.5	360.4
Profit for the period	-	-	-	-	34.0	34.0
Other items of comprehensive income for the period	-	-	-	0.3	(4.0)	(3.7)
Total comprehensive income for the period	-	-	-	0.3	30.0	30.3
Equity dividends	-	-	-	-	(20.3)	(20.3)
Issue of ordinary share capital	0.3	-	-	-	-	0.3
Purchase of own shares by ESOT	-	-	(1.2)	-	-	(1.2)
Issue of own shares by ESOT	-	-	1.0	-	-	1.0
Adjustment to equity for share payments	-	-	-	-	(0.6)	(0.6)
Share option charge	-	-	-	-	1.2	1.2
Balance at 27 August 2011	31.3	11.0	(1.4)	2.4	327.8	371.1
Changes in equity for the 26 weeks to 28 August 2010						
Balance at 27 February 2010	30.8	11.0	(0.4)	2.7	274.9	319.0
Profit for the period	-	-	-	-	32.1	32.1
Other items of comprehensive income for the period	-	-	-	(1.5)	(5.5)	(7.0)
Total comprehensive income for the period	-	-	-	(1.5)	26.6	25.1
Equity dividends	-	-	-	-	(17.7)	(17.7)
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	-	-	-	-	0.1	0.1
Share option charge	-	-	-	-	1.1	1.1
Balance at 28 August 2010	31.0	11.0	(1.2)	1.2	285.0	327.0
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 interim results for the 26 weeks ended 27 August 2011 were approved by the board of directors on 11 October 2011, and have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those disclosed in the annual report & accounts for the 52 weeks ended 26 February 2011.

The condensed consolidated financial statements have not been audited or reviewed by the auditors pursuant to the International Standard on Review Engagements (UK & Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the UK Auditing Practices Board.

The financial information for the 52 weeks ended 26 February 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

2. Risks and uncertainties

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

The directors routinely monitor all these risks and uncertainties 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 its financial position including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to its business activities.

The group has considered carefully its cash flows and banking covenants for the next twelve months from the date of approval of the group's interim results. 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 risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate will have on the performance of the group's debtor book.

The group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £320m. The £200m securitisation facility was renewed earlier in the year and is committed until 2016. The group is currently in advanced negotiations with its bankers to renew the £100m loan facilities that expire in January 2012 for five years to ensure appropriate levels of committed funds are in place matching the group's medium term financing requirements.

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 financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

4. Business segments

	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Analysis of revenue - Home shopping			
Sale of goods	258.8	256.4	523.7
Rendering of services	104.9	93.3	195.1
	363.7	349.7	718.8
Analysis of result			
Segment result & operating profit - Home shopping	47.0	46.2	102.6
Investment income	2.1	2.0	4.1
Finance costs	(5.1)	(4.1)	(8.5)
Fair value adjustments to financial instruments	0.8	(1.8)	(3.7)
Profit before taxation	44.8	42.3	94.5

The group has one business segment and one geographic 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:

	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Notional Amount - Sterling contract value	35.6	38.2	45.1
Fair value of (liability)/asset recognised	(0.6)	0.5	(1.4)

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £0.8m (2010, charge of £1.8m) 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

6. Taxation

The taxation charge for the 26 weeks ended 27 August 2011 is based on the estimated effective tax rate for the full year of 24.1% which is consistent with last year's rate.

7. Earnings per share

Earnings	26 weeks to 27 Aug 11 £m	26 weeks to 28 Aug 10 £m	52 weeks to 26 Feb 11 £m
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	34.0	32.1	71.7
Fair value adjustment to financial instruments (net of tax)	(0.6)	1.3	2.7
Net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	33.4	33.4	74.4
Number of shares	26 weeks to 27 Aug 11 No. ('000s)	26 weeks to 28 Aug 10 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	275,964	274,964	275,323
Effect of dilutive potential ordinary shares: Share options	562	412	466
Weighted average number of shares in issue for the purpose of diluted earnings per share	276,526	275,376	275,789

8. Dividends

The directors have declared and approved an interim dividend of 5.29p per share (2010, 5.04p). This will be paid on 6 January 2012 to shareholders on the register at the close of business on 9 December 2011.

Notes to the Unaudited Condensed Consolidated Financial Statements

Responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Alan White
Chief Executive

Dean Moore
Finance Director

11 October 2011

Our brands

Young (30-45)

fashionworld.co.uk
simplybe.co.uk
simplyyours.co.uk
jacamo.co.uk
figleaves.com
classicconfidence.co.uk
newnow.co.uk
vivaladiva.com
thebrilliantgiftshop.co.uk
naturallyclose.co.uk

Midlife (45-65)

jdwilliams.co.uk
ambrosewilson.com
marisota.co.uk
oxendales.com
oxendales.ie
fiftyplus.co.uk
premierman.com
shoetailor.com
shapelyfigures.com
classicdetail.co.uk
homeshoppingdirect.com
inspirationalhome.co.uk
discountworld.com
houseofbath.co.uk
crazyclearance.co.uk
homeessentials.co.uk
williamsandbrown.co.uk
thatsmystyle.co.uk
fabrici.com
highandmighty.co.uk

Elderly (65+)

julipa.com
heathervalley.com
specialcollection.com
nightingales.com
grayandosbourn.co.uk



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