

14 October 2009

N Brown Group plc

INTERIM RESULTS ANNOUNCEMENT SIX MONTHS ENDED 29 AUGUST 2009

N Brown Group plc, the internet and catalogue home shopping company, today announces its interim results for the 26 weeks to 29th August 2009.

Highlights:

-Group revenue	£338.7m	+4.9%
-Group profit before tax and fair value adjustment to financial instruments	£41.8m	+13.0%
-E-commerce sales up	£128m	+21.0%
-Adjusted earnings per share up	11.02p	+13.5%
-Interim dividend up	4.38p	+57.6%
-Net debt down by £15.9m		
-Positive outlook for the full year		

Alan White, Chief Executive, said:

"We are pleased with N Brown's financial performance against what can only be described as difficult trading conditions. We are encouraged by the loyalty of our customers, as over the last six months we have recorded growth across all products ranges spanning the portfolio of brands, with particularly strong performance from our newer titles. The flexibility of our business model which focuses on niche customers and products, together with our international expansion plans and the recent acquisition of High & Mighty, makes us confident we will continue to deliver growth and are on track to deliver our expectations for the current financial year."

Lord Alliance of Manchester, CBE, Chairman, added:

"Our core strategy to continually improve our product ranges and develop our online channel to market has delivered growth for the group in the first half of the year, as we have seen the number of customers and their average spend increase in the last six months. Despite the uncertainty surrounding the economic climate, we are confident that we are targeting customer and product groups which can deliver growth over the medium term.

-Ends-

For further information please contact:

N Brown Group plc

Alan White, Chief Executive
Dean Moore, Finance Director

Website : www.nbrown.co.uk

On the day: 020 7074 1800
Thereafter: 0161 238 2202

Kreab Gavin Anderson

Fergus Wylie / Clotilde Gros

Tel: 020 7074 1800

CHAIRMAN'S STATEMENT

Financial Results

In the six months ended 29 August 2009 N Brown Group has delivered another record set of results. Group revenues were up by 4.9% to £338.7m and profit before tax, excluding the fair value adjustment for financial instruments, was up by 13.0% to £41.8m. Adjusted earnings per share are 11.02p, up by 13.5%. The interim dividend is increased by 1.6p to 4.38p, encompassing a rebalancing of the split between the interim and final payments as well as an underlying increase to reflect the growth in earnings and our continued confidence in the business. Going forward we expect to pay approximately 45% of the full year dividend at the interim stage.

Our decision earlier in the year to slow down the rate of debtor growth, and a planned reduction in stock holdings of 4.8%, had some impact on sales growth as anticipated but resulted in a £37.0m benefit to cash flow. A £21.1m increase in net borrowings in the first six months of last year reversed to a £15.9m reduction this year, resulting in net borrowings falling from £220.5m to £202.4m at 29 August 2009, compared with bank facilities of £320m which are committed until March 2012. Gearing has fallen from 90% to 71% on net assets which have risen 16.1% to £284.6m. Net interest charges have fallen from £7.6m to £2.4m, covered 18 times, as a result of lower borrowings and the decline in LIBOR.

Revenue

Customer recruitment expenditure was maintained at last year's level and we selectively implemented a number of measures to limit the availability of credit where our scoring systems had identified a heightened risk of default. The outcome has been a 3% growth in active established customers who, on average, spent 2% more than in the corresponding period last year. Our customer recruitment has worked extremely well, particularly the merchandise advertisement and internet search engine campaigns, although the overall sales per new customer are down on last year.

The growth in home shopping revenues has been shared amongst all our key customer and product groups.

The sales to younger customers, typically aged 30-45, grew by 12% to £105m. Simply Be has continued to thrive and Jacamo, the equivalent brand for men, has more than doubled its sales. The core midlife brands, targeting customers between 45 and 65 years old, increased revenues to £206m, up 3%, including excellent performances from Marisota and Premier Man. The catalogues targeted at the post-retirement customers had sales of £28m, level with last year. The performance of the Nightingales brand, which we bought out of administration in early 2008, was very encouraging, as was the first season result from our new brand in this category, Julipa.

Sales of ladies clothing rose by 4% to £190m, benefiting from the continued development of ranges exclusively available to our customers in the larger sizes from brands such as Together, Ben Sherman, Regatta and Joe Browns. Footwear had a strong season with sales up by 9%, driven by a further increase in the fittings available, including some standard fitting options to enhance our cross-selling opportunities. Menswear remains the fastest growing category with sales up by 12%, with the main upward momentum coming from the increasing number of branded ranges available to our younger customers. Home and leisure sales were up by 2% to £83m, although there was a noticeable slowdown in the higher priced items due to more restrictive credit policies.

Online sales maintained their strong momentum, up by 21% to £128m which now represents 38% of total sales (2008, 33%). Our catalogues remain an important driver of our online sales but we are also seeing strong demand from some new customers even before they have received their catalogue. The sales from products only available online have doubled.

There has been a regular programme of enhancements to our websites to improve the presentation and ease of use for our customers, and there are more exciting developments in the pipeline.

Gross Margin

As anticipated the gross margin fell from 54.7% to 53.1%. This is attributable to a rise in the bad debt charge from a combination of increases in the volume of debtors, customer mix and a deterioration in the rate of write-offs as some customers have suffered in the economic downturn. As we stated at the start of the year, we anticipate an improving trend in gross margin in the second half of the year

New Business Development

A German language version of our Simply Be catalogue and website was launched in February 2009 and has performed in line with our expectations. We have achieved our goal of £1.1m sales in the first half with an associated loss of £0.7m, and proved the logistics of taking orders in Germany and shipping from the UK can work. The online penetration was much higher than expected but so were product returns, principally due to the complexity of converting UK to European sizes. We look forward to the Autumn/Winter catalogues building on these foundations.

In September 2009 we acquired certain assets of High & Mighty Limited, the premier brand for tall and large men. The acquisition, for a total consideration of £1.6m, fits perfectly with our strategy of focusing on niche customers and products. We intend to develop or relocate the 14 stores we currently occupy under licence from the administrator. In addition we see a major opportunity to develop High & Mighty's online business and we will be reintroducing a catalogue in November.

Current Trading and Outlook

The last year has seen unprecedented events in the financial markets which have had a knock-on effect on consumers' finances and confidence. Against this backdrop we have been delighted with the resilience of our customer base and the flexibility of our business model. However, with rising unemployment and depressed house prices we anticipate consumer spending will remain subdued for some time. Despite this we still expect our customers, with an average age of 57, to remain relatively resilient.

We will continue to focus on those niche customer and product groups where our comprehensive offer of sizes and fittings, allied with our database management expertise, gives us an advantage over the competition. Our websites will continue to be developed, particularly with multi-media content, in order to deliver incremental sales and operational cost savings.

Revenue in the 6 weeks ended 10 October 2009 is 1% ahead of last year, although this period compares with a particularly buoyant trading period and the weeks ahead provide less challenging comparatives. Online sales continue to forge ahead, up 15% so far and we are in the process of increasing our customer recruitment expenditure, while at the same time there are a number of signs emerging that the trends which influence bad debts are starting to settle down. As a result the board remains confident that we are on track to deliver on our expectations for the 2009/10 financial year.

Lord Alliance of Manchester, CBE
14 October 2009

Unaudited condensed consolidated income statement

		26 weeks to 29-Aug-09 £m	26 weeks to 30-Aug-08 £m <i>Restated</i>	52 weeks to 28-Feb-09 £m <i>Restated</i>
	Note			
Revenue	4	338.7	322.8	662.5
Operating profit	4	44.2	44.6	95.5
Investment income		1.4	2.2	4.1
Finance costs		(3.8)	(9.8)	(16.9)
Profit before taxation and fair value adjustments to financial instruments		41.8	37.0	82.7
Fair value adjustments to financial instruments		(8.5)	2.5	9.6
Profit before taxation		33.3	39.5	92.3
Taxation	5	(9.3)	(15.8)	(30.2)
Profit attributable to equity holders of the parent		24.0	23.7	62.1
Adjusted earnings per share	6			
Basic		11.02 p	9.71 p	21.96 p
Diluted		11.00 p	9.66 p	21.90 p
Earnings per share	6			
Basic		8.79 p	8.75 p	22.88 p
Diluted		8.77 p	8.70 p	22.82 p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 29-Aug-09 £m	26 weeks to 30-Aug-08 £m <i>Restated</i>	52 weeks to 28-Feb-09 £m <i>Restated</i>
Exchange differences on translation of foreign operations	(0.7)	0.7	1.7
Actuarial losses on defined benefit pension schemes	(8.3)	(8.8)	(1.7)
Tax on items recognised directly in equity	2.3	2.5	0.2
Net (expense)/income recognised directly in equity	(6.7)	(5.6)	0.2
 Profit for the period	 24.0	 23.7	 62.1
 Total comprehensive income for the period attributable to equity holders of the parent	 17.3	 18.1	 62.3

Unaudited condensed consolidated balance sheet

	29-Aug-09 £m	30-Aug-08 £m <i>Restated</i>	28-Feb-09 £m <i>Restated</i>
Non-current assets			
Intangible assets	33.6	31.8	32.8
Property, plant & equipment	72.5	72.1	75.0
Deferred tax assets	8.4	10.0	6.7
	<u>114.5</u>	<u>113.9</u>	<u>114.5</u>
Current assets			
Inventories	67.4	70.8	69.8
Trade and other receivables	456.6	437.1	451.5
Derivative financial instruments	1.2	2.6	9.7
Cash and cash equivalents	57.6	39.7	51.7
	<u>582.8</u>	<u>550.2</u>	<u>582.7</u>
Total assets	<u>697.3</u>	<u>664.1</u>	<u>697.2</u>
Current liabilities			
Bank overdrafts	-	(0.2)	-
Trade and other payables	(110.3)	(117.9)	(106.1)
Current tax liability	(15.9)	(12.0)	(13.8)
	<u>(126.2)</u>	<u>(130.1)</u>	<u>(119.9)</u>
Net current assets	<u>456.6</u>	<u>420.1</u>	<u>462.8</u>
Non-current liabilities			
Bank loans	(260.0)	(260.0)	(270.0)
Retirement benefit obligation	(8.5)	(10.9)	(4.0)
Deferred tax liabilities	(18.0)	(17.9)	(20.3)
	<u>(286.5)</u>	<u>(288.8)</u>	<u>(294.3)</u>
Total liabilities	<u>(412.7)</u>	<u>(418.9)</u>	<u>(414.2)</u>
Net assets	<u>284.6</u>	<u>245.2</u>	<u>283.0</u>
Equity			
Share capital	30.5	30.3	30.3
Share premium account	11.0	11.0	11.0
Own shares	(0.2)	(0.3)	(0.2)
Foreign currency translation reserve	2.2	1.9	2.9
Retained earnings	241.1	202.3	239.0
Total equity	<u>284.6</u>	<u>245.2</u>	<u>283.0</u>

Unaudited condensed consolidated cash flow statement

	26 weeks to 29-Aug-09 £m	26 weeks to 30-Aug-08 £m	52 weeks to 28-Feb-09 £m
Net cash from operating activities	40.4	12.1	38.7
Investing activities			
Purchases of property, plant and equipment	(1.0)	(4.4)	(12.9)
Purchases of intangible assets	(4.4)	(4.1)	(8.3)
Interest received	0.1	0.7	1.0
Net cash used in investing activities	(5.3)	(7.8)	(20.2)
Financing activities			
Interest paid	(2.5)	(8.5)	(13.1)
Dividends paid	(17.5)	(17.4)	(24.9)
(Decrease)/increase in bank loans	(10.0)	10.0	20.0
Decrease in bank overdrafts	-	-	(0.2)
Proceeds on issue of shares held by ESOT	0.8	0.5	0.6
Net cash used in financing activities	(29.2)	(15.4)	(17.6)
Net increase/(decrease) in cash and cash equivalents	5.9	(11.1)	0.9
Opening cash and cash equivalents	51.7	50.8	50.8
Closing cash and cash equivalents	57.6	39.7	51.7

Reconciliation of operating profit to net cash from operating activities

	26 weeks to 29-Aug-09 £m	26 weeks to 30-Aug-08 £m <i>Restated</i>	52 weeks to 28-Feb-09 £m <i>Restated</i>
Operating profit	44.2	44.6	95.5
Adjustments for:			
Depreciation of property, plant and equipment	3.5	2.8	5.8
Amortisation of intangible assets	3.6	3.2	6.4
Share option charge	1.0	0.8	1.8
Operating cash flows before movements in working capital	52.3	51.4	109.5
Decrease/(increase) in inventories	2.4	(2.7)	(1.7)
Increase in trade and other receivables	(5.4)	(37.2)	(51.1)
Increase in trade and other payables	4.2	14.2	5.0
Pension obligation adjustment	(4.2)	(3.7)	(3.9)
Cash generated by operations	49.3	22.0	57.8
Taxation paid	(8.9)	(9.9)	(19.1)
Net cash from operating activities	40.4	12.1	38.7

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 26 weeks to 29 August 2009						
Balance at 28 February 2009 as previously stated	30.3	11.0	(0.2)	2.9	244.3	288.3
Change in accounting policy (Note 1)	-	-	-	-	(5.3)	(5.3)
Restated balance as at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0
Total comprehensive income for the period	-	-	-	-	17.3	17.3
Equity dividends declared	-	-	-	-	(17.5)	(17.5)
Issue of ordinary share capital	0.2	-	-	-	-	0.2
Purchase of own shares by ESOT	-	-	(0.2)	-	-	(0.2)
Issue of own shares by ESOT	-	-	0.2	-	-	0.2
Adjustment to equity for share payments	-	-	-	-	0.6	0.6
Exchange difference on translation of overseas operations	-	-	-	(0.7)	0.7	-
Share option charge	-	-	-	-	1.0	1.0
Balance at 29 August 2009	30.5	11.0	(0.2)	2.2	241.1	284.6
Changes in equity for the 26 weeks to 30 August 2008						
Balance at 1 March 2008 as previously stated	30.0	11.0	(0.1)	1.2	206.4	248.5
Change in accounting policy (Note 1)	-	-	-	-	(5.3)	(5.3)
Restated balance as at 1 March 2008	30.0	11.0	(0.1)	1.2	201.1	243.2
Total comprehensive income for the period	-	-	-	-	18.1	18.1
Equity dividends declared	-	-	-	-	(17.4)	(17.4)
Issue of ordinary share capital	0.3	-	-	-	-	0.3
Purchase of own shares by ESOT	-	-	(0.3)	-	-	(0.3)
Issue of own shares by ESOT	-	-	0.1	-	-	0.1
Adjustment to equity for share payments	-	-	-	-	0.4	0.4
Exchange difference on translation of overseas operations	-	-	-	0.7	(0.7)	-
Share option charge	-	-	-	-	0.8	0.8
Balance at 30 August 2008	30.3	11.0	(0.3)	1.9	202.3	245.2

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 2009						
Balance at 1 March 2008 as previously stated	30.0	11.0	(0.1)	1.2	206.4	248.5
Change in accounting policy (Note 1)	-	-	-	-	(5.3)	(5.3)
Restated balance as at 1 March 2008	30.0	11.0	(0.1)	1.2	201.1	243.2
Total comprehensive income for the period	-	-	-	-	62.3	62.3
Equity dividends declared	-	-	-	-	(24.9)	(24.9)
Issue of ordinary share capital	0.3	-	-	-	-	0.3
Purchase of own shares by ESOT	-	-	(0.3)	-	-	(0.3)
Issue of own shares by ESOT	-	-	0.2	-	-	0.2
Adjustment to equity for share payments	-	-	-	-	0.4	0.4
Exchange difference on translation of overseas operations	-	-	-	1.7	(1.7)	-
Share option charge	-	-	-	-	1.8	1.8
Balance at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0

Notes to the condensed consolidated financial statements

1. Basis of preparation

The group's interim results for the 26 weeks ended 29 August 2009 were approved by the board of directors on 14 October 2009, 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 28 February 2009 other than that as set out below.

IAS 38 Intangible Assets. Following an amendment to IAS 38 all expenditure relating to the production of home shopping catalogues should be charged to the income statement as incurred, rather than recognising them as a prepayment asset until the date of despatch. As a result of this change in accounting policy the comparative amounts have been restated, as follows:

	26 weeks to 30-Aug-08 £m	52 weeks to 28-Feb-09 £m
Retained earnings as previously reported	208.5	244.3
Reduction in trade and other receivables	(8.6)	(7.3)
Increase in deferred tax asset	2.4	2.0
Retained earnings as restated	<u>202.3</u>	<u>239.0</u>

The impact on earnings for the 26 weeks ended 29 August 2009 was to increase sales and administration costs by £1.3m which has the impact of reducing total comprehensive income by £0.9m (2008, £0.9m).

Adoption in the period of IAS 1 'Presentation of Financial Statements' (Revised 2007) and IFRS 8 'Operating Segments'.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement separate from the Income Statement and Statement of Comprehensive Income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in equity for each period presented.

IFRS 8 - Operating Segments. The reporting requirements of IFRS 8 has been adopted in the current year. IFRS 8 concerns the disclosure and presentation of information that allows users of its financial statements to evaluate the nature and financial effects of the business activities of the group. It has not affected the measurement of the group's profit, assets or liabilities. The group has only one reportable business segment which is home shopping.

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 28 February 2009 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. 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 237 (2) or (3) of the Companies Act 1985.

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 and appropriate actions are taken to mitigate these risks, such as having business continuity procedures in place, 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 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. As such, 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 facilities of £320m. As the group's borrowing facilities are committed until 2012 there are no current plans to open renewal negotiations in the next twelve months.

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 group's interim results.

4. Business Segments

	26 weeks to 29-Aug-09 £m	26 weeks to 30-Aug-08 £m <i>Restated</i>	52 weeks to 28-Feb-09 £m <i>Restated</i>
Analysis of revenue - Home shopping			
Sale of goods	244.1	233.8	481.3
Rendering of services	94.6	89.0	181.2
	338.7	322.8	662.5
Analysis of operating profit			
Operating profit - Home shopping	44.2	44.6	95.5
Investment income	1.4	2.2	4.1
Finance costs	(3.8)	(9.8)	(16.9)
Fair value adjustments to financial instruments	(8.5)	2.5	9.6
Profit before taxation	33.3	39.5	92.3

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

5. Taxation

The taxation charge for the 26 weeks ended 29 August 2009 is based on the estimated effective tax rate for the full year of 28.0% which is lower than last year's rate of 32.7%. The high tax rate for last year was the result of an exceptional tax charge of £4.4m in respect of the phasing out of industrial building allowances.

Notes to the condensed consolidated financial statements

6. Earnings per share

Earnings	26 weeks to 29-Aug-09 £m	26 weeks to 30-Aug-08 £m	52 weeks to 28-Feb-09 £m
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	24.0	23.7	62.1
Impact of exceptional tax charge in respect of the phasing out of IBAs	-	4.4	4.4
Fair value adjustment to financial instruments (net of tax)	6.1	(1.8)	(6.9)
Net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	30.1	26.3	59.6
Number of shares	26 weeks to 29-Aug-09 No. ('000s)	26 weeks to 30-Aug-08 No. ('000s)	52 weeks to 28-Feb-09 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	273,043	270,732	271,413
Effect of dilutive potential ordinary shares:			
Share options	471	1,597	728
Weighted average number of shares in issue for the purpose of diluted earnings per share	273,514	272,329	272,141

7. Dividends

The directors have declared and approved an interim dividend of 4.38p per share (2008, 2.78p). This will be paid on 8 January 2010 to shareholders on the register at the close of business on 11 December 2009.

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

14 October 2009