12 October 2010

N Brown Group plc

INTERIM RESULTS ANNOUNCEMENT
SIX MONTHS ENDED 28 AUGUST 2010

N Brown Group plc, the internet and catalogue home shopping company, today announces its interim results for the 26 weeks to 28 August 2010.

Highlights:

▪ Total revenue	**£349.7m**	**+3.2%**
▪ Profit before tax and fair value adjustment to financial instruments	**£44.1m**	**+5.5%**
▪ Operating profit up	**£46.2m**	**+4.5%**
▪ E-commerce sales up	**£150m**	**+17.0%**
▪ Adjusted earnings per share up	**12.15p**	**+10.3%**
▪ Interim dividend up	**5.04p**	**+15.1%**
▪ Strong performance from Menswear		**+ 28%**
▪ Launch of Simply Be in the USA		
▪ Total Sales for the six weeks ended 09 October		**+5.1%**
▪ Like-for-like sales for the six weeks		**+2.1%**
▪ Confident outlook for the full year		

Lord Alliance of Manchester, CBE, Chairman, said:

"We have had a good first half of the year, despite a difficult trading environment, and we are pleased to note that the positive trends have continued into the first six weeks of the second half. While there continues to be uncertainty surrounding the outlook for the sector, we are encouraged by the strong demand from our younger titles, the international performance of Simply Be Germany as well as the launch into the USA. The Board remains confident that we will deliver a good performance for the full year."

Alan White, Chief Executive, added:

"This is another good performance, benefiting from the strong growth in online sales, the expansion of Jacamo and Marisota, and the acquisition of Figleaves and High and Mighty. We have also seen bad debts reduce significantly. We have grown our share of the market, emphasising our strong position as the leading retailer in plus sizes in the UK.

We are also particularly excited by the launch of our Simply Be brand in the US, as the first orders are starting to come through and we will look to drive sales forward in the second half of the year. We have a number of growth opportunities ahead and we are confident we will continue to make good progress for the full year."

-Ends-

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CHAIRMAN'S STATEMENT

I am pleased to report further progress in the performance of N Brown Group in the 26 weeks to 28 August 2010.

Financial Results

Total group revenue increased by 3.2% to £349.7m. Excluding sales from the recent acquisitions of High & Mighty and Figleaves, like-for-like revenue has grown by 0.6% in the first half.

The rate of gross margin has improved by 0.6% to 53.7% reflecting the impact of the more conservative credit policies we implemented last year. These have restricted sales growth in the first half by about 2% but have reduced the net bad debt charge to sales ratio from 9.5% to 8.2%.

Operating profit was up by 4.5% to £46.2m and profit before fair value adjustments to financial instruments and tax was up 5.5% to £44.1m. Profit before tax was up 27.0% to £42.3m. Adjusted earnings per share, reflecting the underlying performance of the business, have grown by 10.3% to 12.15p, including the benefit from a lower effective rate of corporation tax.

There was a net cash outflow of £3.0m, after the £10.6m investment in the acquisition of Figleaves in June 2010. Net borrowings are now £173.1m (2009, £202.4m), on which net financial costs in the period were £2.1m (2009 £2.4m), covered 22 times by operating profits (2009, 18 times). Gearing has fallen to 53% (2009, 71%) based on net assets of £327.0m, up by 14.9%.

The interim dividend will be increased by 15.1% to 5.04p reflecting the strength of the balance sheet, and the Board's continued confidence in the outlook for the business.

Trading Highlights

The key contributions to the total sales growth of 3.2% came from the rollout of our new brands, the continuing development of our e-commerce activities and the acquisitions of High & Mighty and Figleaves.

Online sales were up 17% to £150m and accounted for 43% of total revenues (2009, 38%). During the first half we have redeveloped our online registration process, significantly increasing customer retention. The sales from merchandise only available online has grown by 66%, including the benefit from a new process whereby suppliers can upload their product images and copy directly onto our websites. Our online promotional techniques are proving increasingly effective, driving order values 25% higher than average and also generating higher order frequency. This, coupled with lower operating costs for online orders, is a key driver of profit for current and future growth.

Sales from our younger brands, targeted at customers under 45, have grown by 7% to £112m. Jacamo, offering fashionable menswear in larger sizes both branded and own-brand, has increased revenue by 57%, and there was another good performance from Simply Be. There was a sales contribution of £5m from Figleaves which offers the UK's largest choice of lingerie online and has established a strong international brand. We intend to develop Figleaves by offering its own-brand product to segments of the group's customer base and offering selected products from N Brown's fashion, footwear and lingerie ranges to Figleaves customers.

Our midlife brands, targeting customers aged between 45 and 65, have had a steady period with sales up 3% to £213m. Within this the expansion of Marisota, offering fitting solutions for women's clothing and footwear needs, has gone extremely well. This category now includes High & Mighty, which we acquired in September 2009, serving the specialist clothing needs of big and tall men. We are on track with our store refurbishment programme and the acquisition of three new stores and sales of £4m are up 6% on the same period last year. We believe there is significant growth potential in the High & Mighty brand and opportunities for cross-selling with our other menswear brands, now that we have transferred it to the group's web platform.

Sales from titles targeted at the 65 plus customers fell by 11% to £25m, reflecting the decline in this section of the clothing market due to the more cautious attitude of these customers, and the impact of low interest rates on their disposable income. Despite this we have seen encouraging signs from our omnibus catalogue, Julipa, including more cost effective customer recruitment.

There has been strong growth in sales of menswear and footwear, the latter driven by the expansion of the range targeted at our younger customers. Menswear has seen spectacular sales growth of 28%, or 16% excluding High & Mighty, due to the growth of the Jacamo brand, the launch of the Williams & Brown catalogue targeted at the 50 year old male, and good recruitment results from Premier Man. Ladieswear, which accounts for just over half of our total sales saw a 1% increase, but against the background of a decline in the older and larger size market as a consequence of the economic downturn, we have still increased our share of the size 16+ market from 5.0% to 5.5% in the last year.

We are continuing to expand the proportion of sales from branded merchandise and that endorsed by celebrities, with Joe Calzaghe and Arlene Phillips proving to be excellent brand ambassadors for Jacamo and Marisota respectively.

Sales of home and leisure product fell by 2% primarily due to the more restrictive credit terms on higher value items which reduced the sales of furniture and electrical products.

Gross Margin and Overheads

The increase in the gross margin rate from 53.1% to 53.7% results from the 1.3% improvement in the rate of bad debts offset by an adverse margin mix.

Sales and administration costs have risen by 5.7% as we have invested in additional marketing activity to bolster sales and increase customer recruitment numbers. Distribution costs are level with last year benefiting from the increased proportion of online sales and higher average selling prices.

International

Our international strategy is to target the major home shopping markets in the world where we see the best opportunity to utilise the brands, products and creative assets which already exist in our business, fulfilling the orders from our UK distribution centres. This dramatically reduces the cost of launching in these overseas markets and minimises the risks.

Simply Be Germany has had a good season with lower costs per new recruit and high rates of customer retention, which provides a good platform to build on. We will be doubling the catalogue distribution in the second half.

Our move into the US market is underway with the despatch of 250,000 Simply Be catalogues to targeted customer lists at the end of August and a further 750,000 will be despatched during this autumn, together with a programme of online activity. We are optimistic that we can win a useful share of the $34 billion market for outsize clothing in the USA.

Figleaves receives over 20% of its orders from overseas and despatches to over 130 different countries.

Outlook

The increase in the rate of sales growth since the sluggish period around the General Election has continued in the first 6 weeks of the second half with total sales growth of 5.1% and like for like sales growth of 2.1%.

There are undoubtedly challenges in the second half to be overcome with respect to the outlook for consumer spending and the inflationary pressures from the Far East markets where we source the majority of our merchandise.

However, we are confident we can overcome these challenges, based on our first half performance. We have seen strong growth from both our younger and newer brands, increased penetration from our online activities, and the expansion of our international plans into the USA, the world's biggest home shopping market. We will continue to invest in these growth drivers in the second half of the year which, coupled with the strength of our balance sheet and the increased dividend, gives the board confidence that the group can make good progress for the full year.

Lord Alliance of Manchester, CBE
12 October 2010

Unaudited condensed consolidated income statement

	Note	**26 weeks to 28-Aug-10 £m**		26 weeks to 29-Aug-09 £m		52 weeks to 27-Feb-10 £m	
Revenue	4	**349.7**		338.7		690.0	
Operating profit	4	**46.2**		44.2		97.6	
Investment income		**2.0**		1.4		2.9	
Finance costs		**(4.1)**		(3.8)		(7.4)	
Profit before taxation and fair value adjustments to financial instruments		**44.1**		41.8		93.1	
Fair value adjustments to financial instruments	5	**(1.8)**		(8.5)		(7.4)	
Profit before taxation		**42.3**		33.3		85.7	
Taxation	7	**(10.2)**		(9.3)		(23.2)	
Profit attributable to equity holders of the parent		**32.1**		24.0		62.5	
Adjusted earnings per share	8						
Basic		**12.15**	**p**	11.02	p	24.77	p
Diluted		**12.13**	**p**	11.00	p	24.73	p
Earnings per share	8						
Basic		**11.67**	**p**	8.79	p	22.83	p
Diluted		**11.66**	**p**	8.77	p	22.79	p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 28-Aug-10 £m	26 weeks to 29-Aug-09 £m	52 weeks to 27-Feb-10 £m
Profit for the period	**32.1**	24.0	62.5
Other items of comprehensive income			
Exchange differences on translation of foreign operations	**(1.5)**	(0.7)	(0.2)
Actuarial losses on defined benefit pension schemes	**(7.6)**	(8.3)	(1.2)
Tax relating to components of other comprehensive income	**2.1**	2.3	0.3
	(7.0)	(6.7)	(1.1)
Total comprehensive income for the period attributable to equity holders of the parent	**25.1**	17.3	61.4

Unaudited condensed consolidated balance sheet

	28-Aug-10	29-Aug-09	27-Feb-10
	£m	£m	£m
Non-current assets			
Intangible assets	**48.8**	33.6	36.3
Property, plant & equipment	**71.4**	72.5	68.9
Deferred tax assets	**2.7**	8.4	3.6
	122.9	114.5	108.8
Current assets			
Inventories	**70.0**	67.4	62.4
Trade and other receivables	**471.3**	456.6	461.3
Derivative financial instruments	**0.5**	1.2	2.3
Cash and cash equivalents	**56.9**	57.6	59.9
	598.7	582.8	585.9
Total assets	**721.6**	697.3	694.7
Current liabilities			
Trade and other payables	**(124.0)**	(110.3)	(105.4)
Current tax liability	**(28.2)**	(15.9)	(24.1)
	(152.2)	(126.2)	(129.5)
Net current assets	**446.5**	456.6	456.4
Non-current liabilities			
Bank loans	**(230.0)**	(260.0)	(230.0)
Retirement benefit obligation	**(2.2)**	(8.5)	(1.8)
Deferred tax liabilities	**(10.2)**	(18.0)	(14.4)
	(242.4)	(286.5)	(246.2)
Total liabilities	**(394.6)**	(412.7)	(375.7)
Net assets	**327.0**	284.6	319.0
Equity			
Share capital	**31.0**	30.5	30.8
Share premium account	**11.0**	11.0	11.0
Own shares	**(1.2)**	(0.2)	(0.4)
Foreign currency translation reserve	**1.2**	2.2	2.7
Retained earnings	**285.0**	241.1	274.9
Total equity	**327.0**	284.6	319.0

Unaudited condensed consolidated cash flow statement

	26 weeks to 28-Aug-10 £m	26 weeks to 29-Aug-09 £m	52 weeks to 27-Feb-10 £m
Net cash from operating activities	**38.7**	40.4	91.7
Investing activities			
Purchases of property, plant and equipment	**(4.0)**	(1.0)	(2.4)
Purchases of intangible assets	**(6.4)**	(4.4)	(10.8)
Acquisition of subsidiary	**(10.6)**	-	-
Proceeds on disposal of property, plant and equipment	**-**	-	1.9
Interest received	**0.1**	0.1	0.1
Net cash used in investing activities	**(20.9)**	(5.3)	(11.2)
Financing activities			
Interest paid	**(2.6)**	(2.5)	(4.0)
Dividends paid	**(17.7)**	(17.5)	(29.5)
Decrease in bank loans	**-**	(10.0)	(40.0)
Purchase of shares by ESOT	**(0.8)**	-	-
Proceeds on issue of shares held by ESOT	**0.3**	0.8	1.2
Net cash used in financing activities	**(20.8)**	(29.2)	(72.3)
Net (decrease)/increase in cash and cash equivalents	**(3.0)**	5.9	8.2
Opening cash and cash equivalents	**59.9**	51.7	51.7
Closing cash and cash equivalents	**56.9**	57.6	59.9

Reconciliation of operating profit to net cash from operating activities

	26 weeks to 28-Aug-10 £m	26 weeks to 29-Aug-09 £m	52 weeks to 27-Feb-10 £m
Operating profit	**46.2**	44.2	97.6
Adjustments for:			
Depreciation of property, plant and equipment	**4.0**	3.5	7.0
Profit on disposal of property, plant and equipment	**-**	-	(0.4)
Amortisation of intangible assets	**3.3**	3.6	7.3
Share option charge	**1.1**	1.0	1.9
Operating cash flows before movements in working capital	**54.6**	52.3	113.4
(Increase)/decrease in inventories	**(3.9)**	2.4	7.4
Increase in trade and other receivables	**(11.0)**	(5.4)	(10.2)
Increase/(decrease) in trade and other payables	**13.5**	4.2	(0.5)
Pension obligation adjustment	**(7.2)**	(4.2)	(4.0)
Cash generated by operations	**46.0**	49.3	106.1
Taxation paid	**(7.3)**	(8.9)	(14.4)
Net cash from operating activities	**38.7**	40.4	91.7

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 28 August 2010						
Balance as 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 declared	-	-	-	-	(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 26 weeks to 29 August 2009						
Balance as at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0
Profit for the period	-	-	-	-	24.0	24.0
Other items of comprehensive income for the period	-	-	-	(0.7)	(6.0)	(6.7)
Total comprehensive income for the period	-	-	-	(0.7)	18.0	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
Share option charge	-	-	-	-	1.0	1.0
Balance at 29 August 2009	30.5	11.0	(0.2)	2.2	241.1	284.6

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 27 February 2010						
Balance as at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0
Profit for the period	-	-	-	-	62.5	62.5
Other items of comprehensive income for the period	-	-	-	(0.2)	(0.9)	(1.1)
Total comprehensive income for the period	-	-	-	(0.2)	61.6	61.4
Equity dividends declared	-	-	-	-	(29.5)	(29.5)
Issue of ordinary share capital	0.5	-	-	-	-	0.5
Purchase of own shares by ESOT	-	-	(0.5)	-	-	(0.5)
Issue of own shares by ESOT	-	-	0.3	-	-	0.3
Adjustment to equity for share payments	-	-	-	-	0.9	0.9
Share option charge	-	-	-	-	1.9	1.9
Tax on items recognised directly in equity	-	-	-	-	1.0	1.0
Balance at 27 February 2010	30.8	11.0	(0.4)	2.7	274.9	319.0

Notes to the condensed consolidated financial statements

1. Basis of preparation

The group's interim results for the 26 weeks ended 28 August 2010 were approved by the board of directors on 12 October 2010, 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 27 February 2010 other than for IFRS 3 (revised 2008) and IAS 28 (revised 2008) which came into effect for the group for business combinations for which the acquisition date is on or after 1 March 2010.

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 27 February 2010 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 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 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. 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 loan facilities of £320m which are committed until early in 2012. It is the group's intention to open renewal negotiations with its bankers in the next six months to ensure appropriate levels of committed funds matching the group's medium term financing requirements are in place beyond 2012.

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 condensed consolidated financial statements - continued

4. Business segments

	26 weeks to 28-Aug-10 £m	26 weeks to 29-Aug-09 £m	52 weeks to 27-Feb-10 £m
Analysis of revenue - Home shopping			
Sale of goods	**256.4**	244.1	499.6
Rendering of services	**93.3**	94.6	190.4
	349.7	338.7	690.0
Analysis of result			
Segment result & operating profit - Home shopping	**46.2**	44.2	97.6
Investment income	**2.0**	1.4	2.9
Finance costs	**(4.1)**	(3.8)	(7.4)
Fair value adjustments to financial instruments	**(1.8)**	(8.5)	(7.4)
Profit before taxation	**42.3**	33.3	85.7

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 28-Aug-10 £m	26 weeks to 29-Aug-09 £m	52 weeks to 27-Feb-10 £m
Notional Amount - Sterling contract value	**38.2**	45.9	37.3
Fair value of asset recognised	**0.5**	1.2	2.3

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £1.8m (2009, £8.5m) 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 condensed consolidated financial statements - continued

6. Acquisition of subsidiary

In June 2010 the group acquired the entire share capital of Figleaves Global Trading Limited for a total cash consideration of £11.5m. Its principal activity is that of an online retailer. The book value of net assets acquired was £3.1m and provisional goodwill on acquisition was £8.4m. A formal intangible asset value exercise is currently being performed. This acquisition does not have any material financial impact on the group.

7. Taxation

The taxation charge for the 26 weeks ended 28 August 2010 is based on the estimated effective tax rate for the full year of 24.2% which is lower than last year's full rate of 27.1%.

8. Earnings per share

Earnings	**26 weeks to 28-Aug-10 £m**	26 weeks to 29-Aug-09 £m	52 weeks to 27-Feb-10 £m
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**32.1**	24.0	62.5
Fair value adjustment to financial instruments (net of tax)	**1.3**	6.1	5.3
Net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	**33.4**	30.1	67.8

Number of shares	**26 weeks to 28-Aug-10 No. ('000s)**	26 weeks to 29-Aug-09 No. ('000s)	52 weeks to 27-Feb-10 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	**274,964**	273,043	273,772
Effect of dilutive potential ordinary shares:			
Share options	**412**	471	435
Weighted average number of shares in issue for the purpose of diluted earnings per share	**275,376**	273,514	274,207

9. Dividends

The directors have declared and approved an interim dividend of 5.04p per share (2009, 4.38p). This will be paid on 7 January 2011 to shareholders on the register at the close of business on 10 December 2010.

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

12 October 2010