09 October 2014

N Brown Group plc

INTERIM RESULTS
26 Weeks ended 30 August 2014
A YEAR OF TRANSITION

Highlights:

Total Group revenue	£407.3m	-0.6%
Operating profit	£45.2m	-6.6%
Profit before tax	£42.7m	-3.2%
Adjusted earnings per share	11.56p	-7.9%
Interim dividend maintained	5.67p	
Second half performance impacted by weak September sales		
Full year guidance reduced		

Andrew Higginson, Chairman, said:

"In a period of substantial change in our business, lower first half profits are largely attributable to the planned later phasing of our product season and marketing activities as well as the changes we have made to our credit policies. The benefits of re-phasing will not flow through as expected during the second half as a result of the very difficult market conditions across the clothing sector in recent weeks. In re-setting expectations for the full year, the Board believes it is taking full account of these pressures on performance and also giving the management team the time and space it needs to push on with the necessary programme of modernisation which is equipping the business to access faster growth in the future."

Angela Spindler, Chief Executive, said:

"We have stepped up the pace of change in the business designed to unlock the potential value we see in a proposition built around fashion that fits. In modernising the way we operate and the way we go to market, we are focused on: attracting more customers by raising brand awareness and broadening our appeal; building customer loyalty through further product and service improvements; and creating a modern scalable infrastructure so that the business is fit for the future. Despite the negative effects of recent market conditions on performance, I am confident that we are taking the right actions and are making good progress."

-Ends-

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INTERIM RESULTS STATEMENT

Our first half results reflect the far-reaching changes we began to implement during the period as part of our plan to modernise key aspects of the business, which have affected both short-term revenue and profit performance as we take the necessary steps to move further away from a traditional mail order business model.

During the period we made significant changes to the timing of our product season, the phasing and focus of our marketing programme and we also continued with the changes to our credit policies, which we started to implement in the Autumn of last year. In combination, these actions have re-phased some activities into the second half of the financial year. They have also produced in some categories a planned stepped reduction in revenue but a corresponding improvement in the quality of sales, particularly in higher credit-risk areas.

Financial Results

During the first half, total Group revenue reduced by 0.6% to £407.3m, largely reflecting lower sales in JD Williams. Like-for-like sales, excluding newly opened stores, were 0.5% lower. Profit before taxation was £42.7m (2013, £44.1m), 3.2% lower than last year.

Overall gross margin improved by 40 basis points due to an improved bad debt and financial income yield performance which has resulted from the success of our tightened credit policies, which we began to implement last year. Product gross margin declined by 50 basis points during the first half.

Despite good overall cost control, particularly in payroll and in marketing as we moved more of our spending from paper-based to digital activities, operating profit reduced by 6.6% to £45.2m, after absorbing £1.7m of losses in the United States (US) and £0.5m of losses from the Simply Be stores (2013, £1.0m). Distribution costs rose as a result of the strong growth in the volume of smaller parcels dispatched. We have identified some £2.0m of cost savings within sales and administration costs, linked to the organisational and marketing changes we have already begun to make, which we expect will come through during the second half.

Net finance costs were £3.6m (2013, £3.4m), due to higher levels of average borrowings. The effective rate of corporation tax was slightly lower than last year at 21.7% (2013, 22.0%), adjusted earnings per share reduced by 7.9% to 11.56p (2013, 12.55p). The interim dividend is held at 5.67p (2013, 5.67p).

Net assets grew by 8.6% to £495.3m (2013, £456.1m). Net cash generated from operating activities increased from £26.1m to £67.3m due principally to an improved working capital performance. Capital expenditure was higher at £30.8m (2013, £8.5m) as a result of the investment in our business transformation programme and after funding dividends and finance costs, net debt increased by £7.3m to £205.2m (2013, £197.9m). Gearing fell from 43% to 41%.

Trading Highlights

The dominant features of the first half performance reflect the fundamental changes we have introduced to the timing of our product season, the later phasing and refocusing of our marketing activities and our continued work to improve the quality of our sales through tighter credit policies. These changes were at the heart of our strategy to move the business further away from the mail order model and more towards our objective of being a multi-channel, fashion-led company.

The combined effects of the changes introduced so far, principally during the first half, have had an impact on sales, and also on our profit performance.

The key initiatives can be grouped into three main areas of strategic focus:

1. Recruiting more customers. Firstly, we have been re-shaping our marketing programme, altering the phasing and the focus of our activities and investment. This later phasing of activity and spending is now more in tune with how customers shop today, particularly at seasonal peaks, rather than how it is typically organised in a traditional catalogue company. We have re-aligned our marketing spend from a 50:50 seasonal balance in the past to around 40:60 for the Spring / Summer versus Autumn / Winter seasons this year. This essentially means that our marketing weighting has moved towards the second half of the current year.

Secondly, at the same time, we also chose to accelerate the reduction of marketing investment in catalogues. Spending was reduced by almost a quarter during the first half, which additionally contributed to the sales reduction, particularly in the second quarter. Much of this investment, in line with our key priority to grow our customer base, has been redeployed into digital customer recruitment marketing and TV advertising. Marketing investment in customer recruitment now accounts for almost 45% of our total spending compared with around 30% five years ago.

As a result, our overall active base is continuing to grow strongly, up 3.7% year-on-year. These new customers will not contribute to our profitability until next year and so in the short-term this activity has held back our performance although it is the right thing to do to drive medium and long-term growth. The overall impact of these changes is that sales from JD Williams were down 3% during the first half with sales growth from Simply Be, whilst still positive, also affected to some degree.

The re-launch of the JD Williams business, whilst difficult to interpret during a period of period of warm, dry early Autumn weather, is showing encouraging signs. Customer numbers are strongly ahead - by around 26% - and our new ranges, new brand ambassador in Lorraine Kelly, new TV-led marketing campaign and new look product presentation have all been well received.

Improving the flexibility of our payment options is encouraging more people to shop with us because access to our credit offer is no longer a barrier for new customers. Cash accounts now represent around 32% of new account set-ups and 5% of overall demand across all brands.

In addition to recruiting new customers through our existing channels we are also able to access growth as we develop our stores business and by entering new geographies. The performance of our stores has been strong, with like-for-like revenue growth of 17% during the first half. Our newest openings, in Belfast, in London's Oxford Street and Merry Hill in the Midlands, have started well and with two more planned before Christmas - in Edinburgh and Norwich - we will have 14 Simply Be/Jacamo stores trading by Christmas this year.

In the US, our product demand grew by 16% in the first half. This was a lower rate of growth than originally planned, and whilst we still expect this rate of growth to accelerate, it does reflect our desire to grow the business more steadily at this stage of its development whilst we focus on refining the customer offer, delivering further service enhancements for customers and improving retention. The recent launch of a credit offer in the US has seen an encouraging level of early take-up with customers.

2. Building loyalty. Building the loyalty of our existing as well as our growing base of new customers is also a key priority. We begin from an already strong position where our distinctive skills in fashion that fits and flatters as well as our appealing credit offer already underpin strong loyalty levels. We have been making improvements designed to encourage still higher customer loyalty, which we expect to be reflected in further gains in customer satisfaction and also higher repeat and average order values.

- **Product offer improvements.** In Ladieswear for the JD Williams re-launch we have improved the quality of our products, upgrading fabrics across the whole range and we have invested in styling, in trims and in exclusive prints. We have also improved value for money, creating new extended ranges in jersey tops under £20, blouses under £25 and dresses under £30, these are driving volume growth.
  The presentation of our offer has also been upgraded, both on line and in paper marketing, moving to product spreads that are more contemporary, less cluttered and deliver stronger value cues.

- **Multichannel improvements.** Online continues to represent the core of our channel mix and participation grew again to just over 58% of sales at the end of the first half. Our stores channel now represents some 3% of total sales. During the last quarter we have delivered numerous improvements to the online customer experience particularly for mobile devices, reducing page download speeds, introduced better search and navigation as well as easier checkout. We have also improved our digital marketing capabilities, including introducing automated personalised promotions.

- **Customer service improvements.** By operating seven-day working in our logistics function we are now offering customers a full seven-day delivery service with Sunday as either a next or a nominated day. The 8pm next day delivery cut-off is now embedded with plans to move to 9pm for Spring / Summer next year. By Christmas we will be offering a collection and returns service from 5,500 parcel shops across the UK.

- **Customer satisfaction** is the most important measure of progress in terms of loyalty. The Institute of Customer Service regularly gauges retailers using its customer satisfaction index, which surveys 12,000 UK consumers every six months. JD Williams now ranks third in the non-food market behind Amazon and John Lewis for overall customer satisfaction and well ahead of the industry average.

- **Credit provision** is a key driver of loyalty for our business. However it is important that the way we offer customers credit is commercially sustainable and also supports our fashion-led strategy. Against that background, last year we decided to move away from offering credit for high ticket and high-risk areas in our Home & Gift categories. Sales in the first half were consequently down 8% year-on-year, reducing overall business like-for-like growth in the second quarter by two percentage points. However as a result, these actions have significantly improved the quality of our sales and our bad debt performance. Importantly too, this targeted tightening of our credit policies also provides our credit customers with more spending headroom to buy our core fashion and related ranges.

3. Creating a modern, scalable infrastructure.

Finally, our systems development programme is on track, now led by new CIO – Andy Haywood who has significant experience in successfully delivering business transformation programmes in large retail and financial services businesses.

We have all but completed the high level design phase of the project and are now mobilising for implementation.

Construction work has commenced at our Shaw Distribution Centre on our warehouse expansion project. This is in support of our "Fit for the Future" programme providing storage capacity and efficiency improvements within our Logistics division. Construction work will continue to mid-2015 with the capacity coming on-stream early in 2016. The new building will enable service improvements across our multi-channel supply chains, specifically for stores and home delivery customers.

Outlook

In common with a wider clothing sector which has been adversely affected by unseasonably mild autumn temperatures in September and so far in October, our own performance has also been impacted. Whilst we see early signs of promise in JD Williams' re-launch, and our programme of change in the business is progressing well, as a consequence of the weak start to the second half, the Board believes it is prudent to re-set expectations for the Group's performance during this transitional year.

This will also allow the management team to focus on implementing at pace the important and necessary changes to the business which we believe will provide the platform for the Group to access a faster rate of growth in the future. The Board now expects the pre-tax profit outturn for the Group this year to be in the range of £88m to £92m, before fair value adjustments and reorganisation and restructuring costs estimated at £5m which is expected to be incurred in the second half.

Angela Spindler, Chief Executive
09 October 2014

Unaudited condensed consolidated income statement

	Note	**26 weeks to 30-Aug-14 £m**		26 weeks to 31-Aug-13 £m		52 weeks to 01-Mar-14 £m	
Revenue	4	**407.3**		409.6		834.9	
Operating profit	4	**45.2**		48.4		107.0	
Investment income		**-**		-		0.1	
Finance costs		**(3.6)**		(3.4)		(7.0)	
Profit before taxation and fair value adjustments to financial instruments		**41.6**		45.0		100.1	
Fair value adjustments to financial instruments	5	**1.1**		(0.9)		(2.8)	
Profit before taxation		**42.7**		44.1		97.3	
Taxation	6	**(9.3)**		(9.7)		(21.4)	
Profit attributable to equity holders of the parent		**33.4**		34.4		75.9	
Earnings per share	7						
Basic		**11.88**	**p**	12.30	p	27.09	p
Diluted		**11.83**	**p**	12.25	p	26.91	p
Adjusted earnings per share	7						
Basic		**11.56**	**p**	12.55	p	27.88	p
Diluted		**11.51**	**p**	12.50	p	27.69	p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 30-Aug-14 £m	26 weeks to 31-Aug-13 £m	52 weeks to 01-Mar-14 £m
Profit for the period	**33.4**	34.4	75.9
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	**(0.8)**	(2.1)	(2.7)
Tax relating to items not reclassified	**0.2**	0.5	0.6
	(0.6)	(1.6)	(2.1)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**(0.4)**	(0.4)	(0.4)
Total comprehensive income for the period attributable to equity holders of the parent	**32.4**	32.4	73.4

Unaudited condensed consolidated balance sheet

	30-Aug-14	31-Aug-13	01-Mar-14
	£m	£m	£m
Non-current assets			
Intangible assets	**94.0**	70.5	73.3
Property, plant & equipment	**63.1**	63.6	63.2
Deferred tax assets	**5.0**	3.3	4.8
	162.1	137.4	141.3
Current assets			
Inventories	**91.3**	89.3	89.9
Trade and other receivables	**591.1**	571.5	599.0
Derivative financial instruments	**-**	0.3	-
Cash and cash equivalents	**44.8**	52.1	45.3
	727.2	713.2	734.2
Total assets	**889.3**	850.6	875.5
Current liabilities			
Bank loans	**-**	-	(9.0)
Trade and other payables	**(114.6)**	(114.5)	(98.0)
Derivative financial instruments	**(0.5)**	-	(1.6)
Current tax liability	**(15.1)**	(18.5)	(18.8)
	(130.2)	(133.0)	(127.4)
Net current assets	**597.0**	580.2	606.8
Non-current liabilities			
Bank loans	**(250.0)**	(250.0)	(250.0)
Retirement benefit obligation	**(5.2)**	(3.2)	(4.2)
Deferred tax liabilities	**(8.6)**	(8.3)	(8.6)
	(263.8)	(261.5)	(262.8)
Total liabilities	**(394.0)**	(394.5)	(390.2)
Net assets	**495.3**	456.1	485.3
Equity			
Share capital	**31.3**	31.3	31.3
Share premium account	**11.0**	11.0	11.0
Own shares	**(0.3)**	(0.6)	(0.5)
Foreign currency translation reserve	**1.5**	1.9	1.9
Retained earnings	**451.8**	412.5	441.6
Total equity	**495.3**	456.1	485.3

Unaudited condensed consolidated cash flow statement

	26 weeks to 30-Aug-14 £m	26 weeks to 31-Aug-13 £m	52 weeks to 01-Mar-14 £m
Net cash from operating activities	**67.3**	26.1	40.7
Investing activities			
Purchases of property, plant and equipment	**(2.8)**	(1.2)	(3.9)
Purchases of intangible assets	**(28.0)**	(7.3)	(16.9)
Interest received	**-**	-	0.1
Net cash used in investing activities	**(30.8)**	(8.5)	(20.7)
Financing activities			
Interest paid	**(4.5)**	(3.4)	(5.7)
Dividends paid	**(24.0)**	(23.0)	(38.9)
(Decrease)/increase in bank loans	**(9.0)**	-	9.0
Purchase of shares by ESOT	**(0.2)**	(0.9)	(1.1)
Proceeds on issue of shares held by ESOT	**0.7**	0.5	0.7
Net cash used in financing activities	**(37.0)**	(26.8)	(36.0)
Net (decrease)/increase in cash and cash equivalents	**(0.5)**	(9.2)	(16.0)
Opening cash and cash equivalents	**45.3**	61.3	61.3
Closing cash and cash equivalents	**44.8**	52.1	45.3

Reconciliation of operating profit to net cash from operating activities

	26 weeks to 30-Aug-14 £m	26 weeks to 31-Aug-13 £m	52 weeks to 01-Mar-14 £m
Operating profit	**45.2**	48.4	107.0
Adjustments for:			
Depreciation of property, plant and equipment	**2.9**	4.0	7.1
Amortisation of intangible assets	**7.3**	6.4	13.2
Share option charge	**1.1**	1.1	2.4
Operating cash flows before movements in working capital	**56.5**	59.9	129.7
Increase in inventories	**(1.3)**	(2.8)	(3.4)
Decrease/(increase) in trade and other receivables	**7.5**	(23.1)	(51.0)
Increase/(decrease) in trade and other payables	**17.5**	4.7	(12.7)
Pension obligation adjustment	**0.1**	(2.2)	(1.8)
Cash generated by operations	**80.3**	36.5	60.8
Taxation paid	**(13.0)**	(10.4)	(20.1)
Net cash from operating activities	**67.3**	26.1	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 26 weeks to 30 August 2014						
Balance at 1 March 2014	31.3	11.0	(0.5)	1.9	441.6	485.3
Profit for the period	-	-	-	-	33.4	33.4
Other items of comprehensive income for the period	-	-	-	(0.4)	(0.6)	(1.0)
Total comprehensive income for the period	-	-	-	(0.4)	32.8	32.4
Equity dividends	-	-	-	-	(24.0)	(24.0)
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	-	-	-	-	0.3	0.3
Share option charge	-	-	-	-	1.1	1.1
Balance at 30 August 2014	**31.3**	**11.0**	**(0.3)**	**1.5**	**451.8**	**495.3**
Changes in equity for the 26 weeks to 31 August 2013						
Balance at 2 March 2013	31.3	11.0	(0.9)	2.3	402.3	446.0
Profit for the period	-	-	-	-	34.4	34.4
Other items of comprehensive income for the period	-	-	-	(0.4)	(1.6)	(2.0)
Total comprehensive income for the period	-	-	-	(0.4)	32.8	32.4
Equity dividends	-	-	-	-	(23.0)	(23.0)
Purchase of own shares by ESOT	-	-	(0.9)	-	-	(0.9)
Issue of own shares by ESOT	-	-	1.2	-	-	1.2
Adjustment to equity for share payments	-	-	-	-	(0.7)	(0.7)
Share option charge	-	-	-	-	1.1	1.1
Balance at 31 August 2013	31.3	11.0	(0.6)	1.9	412.5	456.1

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 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 condensed set of financial statements for the 26 weeks ended 30 August 2014 has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The financial information for the 52 weeks ended 1 March 2014 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, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the group's latest annual audited financial statements.

The adoption of the following standards, at 2 March 2014, has had no material impact on the group's financial statements:

- IFRS 10 'Consolidated Financial Statements' was issued in May 2011, is effective for periods commencing on or after 1 January 2013 and was endorsed by the EU on 1 January 2014.
- IFRS 11 'Joint Arrangements' was issued in May 2011, is effective for periods commencing on or after 1 January 2013 and was endorsed by the EU on 1 January 2014.
- IFRS 12 'Disclosure of Interests in Other Entities' was issued in May 2011, is effective for periods commencing on or after 1 January 2013 and was endorsed by the EU on 1 January 2014.
- IAS 27 (revised) 'Separate Financial Statements' was issued in May 2011, is effective for periods commencing on or after 1 January 2013 and was endorsed by the EU on 1 January 2014.
- IAS 28 (revised) 'Investments in Associates and Joint Ventures' was issued in May 2011, is effective for periods commencing on or after 1 January 2013 and was endorsed by the EU on 1 January 2014.
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' was issued in December 2011, is effective for periods commencing on or after 1 January 2014 and was endorsed by the EU on 1 January 2014.
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' was issued in May 2013, is effective for periods commencing on or after 1 January 2014 and was endorsed by the EU on 1 January 2014.
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' was issued in June 2013, is effective for periods commencing on or after 1 January 2014 and was endorsed by the EU on 1 January 2014.

2. Risks and uncertainties

There are a number of potential risks and uncertainties which could have an impact on the group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the 52 weeks ended 1 March 2014. The risks and associated risk management processes can be found on pages 26 to 27 and 71 to 73 of the annual report which is available at www.nbrown.co.uk. The risks referred to and which could have a material impact on the group's performance for the remainder of the current financial year are as follows: Failure to recognise the need for change; Competition; Regulatory environment; IT systems; Overseas ventures, People; Business interruption; Liquidity and credit risk management; Foreign currency and interest rate risk management. As noted at the year end, 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.

Notes to the unaudited condensed consolidated financial statements (continued)

3. Going concern

In determining whether the group's accounts can be prepared on a going concern basis, the directors considered the group's business activities together with factors likely to affect its future development, performance and financial position including cash flows, liquidity position, borrowing facilities and the principal risks and uncertainties relating to its business activities.

The directors have 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 trading risk identified by the directors for these assumptions is the impact that a deterioration in the economic climate might have on the performance of the group's sales and debtor book.

The group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £370m which are committed until March 2016.

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

4. Business segments

	26 weeks to 30-Aug-14 £m	26 weeks to 31-Aug-13 £m	52 weeks to 01-Mar-14 £m
Analysis of revenue - Home shopping			
Sale of goods	**290.2**	291.3	592.7
Rendering of services	**117.1**	118.3	242.2
	407.3	409.6	834.9
Analysis of result			
Cost of sales	**(191.7)**	(194.5)	(394.7)
Gross profit	**215.6**	215.1	440.2
Distribution costs	**(36.6)**	(34.2)	(71.1)
Sales and administration costs	**(133.8)**	(132.5)	(262.1)
Segment result & operating profit - Home shopping	**45.2**	48.4	107.0
Investment income	**-**	-	0.1
Finance costs	**(3.6)**	(3.4)	(7.0)
Fair value adjustments to financial instruments	**1.1**	(0.9)	(2.8)
Profit before taxation	**42.7**	44.1	97.3

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 £14.0m (2013, £15.3m) and incurred operating losses of £1.2m (2013, £1.0m). All segment assets are located in the UK and Ireland.

Notes to the unaudited condensed consolidated financial statements (continued)

5. Derivative financial instruments

At the balance sheet date, details of outstanding forward foreign exchange contracts that the group has committed to are as follows:

	26 weeks to 30-Aug-14 £m	26 weeks to 31-Aug-13 £m	52 weeks to 01-Mar-14 £m
Notional Amount - Sterling contract value	**24.0**	22.9	32.2
Fair value of (liability)/asset recognised	**(0.5)**	0.3	(1.6)

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a credit of £1.1m (2013, charge of £0.9m) to income in the period.

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

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

6. Taxation

The taxation charge for the 26 weeks ended 30 August 2014 is based on the estimated effective tax rate for the full year of 21.7%. (2013, 22.0%).

Notes to the unaudited condensed consolidated financial statements (continued)

7. Earnings per share

Earnings	**26 weeks to 30-Aug-14 £m**	26 weeks to 31-Aug-13 £m	52 weeks to 01-Mar-14 £m
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**33.4**	34.4	75.9
Fair value adjustment to financial instruments (net of tax)	**(0.9)**	0.7	2.2
Net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share	**32.5**	35.1	78.1

Number of shares	**26 weeks to 30-Aug-14 No. ('000s)**	26 weeks to 31-Aug-13 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	**281,252**	279,593	280,127
Effect of dilutive potential ordinary shares:			
Share options	**1,010**	1,171	1,929
Weighted average number of shares in issue for the purpose of diluted earnings per share	**282,262**	280,764	282,056

Earnings per share			
Basic	**11.88 p**	12.30 p	27.09 p
Diluted	**11.83 p**	12.25 p	26.91 p
Adjusted earnings per share			
Basic	**11.56 p**	12.55 p	27.88 p
Diluted	**11.51 p**	12.50 p	27.69 p

Notes to the unaudited condensed consolidated financial statements (continued)

8. Trade and other receivables

	30-Aug-14 £m	31-Aug-13 £m	01-Mar-14 £m
Amount receivable for the sale of goods and services	**609.5**	603.9	628.1
Allowance for doubtful debts	**(44.4)**	(55.9)	(50.2)
	565.1	548.0	577.9
Other debtors and prepayments	**26.0**	23.5	21.1
	591.1	571.5	599.0
Movement in the allowance for doubtful debts			
Balance at the beginning of the period	**50.2**	55.7	55.7
Amounts charged net to the income statement	**35.0**	35.9	67.8
Net amounts written off	**(40.8)**	(35.7)	(73.3)
Balance at the end of the period	**44.4**	55.9	50.2

9. Dividends

The directors have declared and approved an interim dividend of 5.67p per share (2013, 5.67p). This will be paid on 9 January 2015 to shareholders on the register at the close of business on 12 December 2014.

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

Angela Spindler
Chief Executive

Dean Moore
Finance Director

9 October 2014

Independent review report to N Brown Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 August 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 August 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
9 October 2014