14 October 2015

HALF YEAR RESULTS FOR THE 26 WEEKS ENDED 29 AUGUST 2015

RESULTS IN LINE WITH EXPECTATIONS;
TRANSFORMATION STRATEGY ON TRACK

N Brown Group Plc, the leading multi-channel, specialist fit fashion retailer today announces results for the half year to 29 August 2015.

Financial highlights:

- Total group revenue +4.2% to £415.8m (H1 FY15: £399.2m)
- Product revenue +6.1% and Financial Services revenue -0.4%
- Operating profit excluding exceptionals -14.2% to £38.8m (H1 FY15: £45.2m)
- Underlying trading profit* before tax -15.9% yoy to £35.0m (H1 FY15: £41.6m), in line with expectations
- Statutory profit before tax -54.6% to £19.4m (H1 FY15: £42.7m), reflecting exceptional costs accrued over the half largely relating to clearance store closures
- Adjusted earnings per share from continuing operations 5.74p (H1 FY15: 11.56p)
- Statutory earnings per share from continuing operations 5.53p (H1 FY15: 11.88p)
- Half year dividend maintained at 5.67p
- Net debt £239.8m (H1 FY15: £205.2m)
- Enhanced disclosure provided today and going forward

**Underlying trading profit before tax is defined as PBT excluding exceptionals and unrealised FX movement*

Operational highlights:

- Continued shift from direct mail-led to digital-first, with online penetration of 63%, up 5ppts yoy. Online penetration of new customers up 7ppts to 69%.
- Active customers +2.8% overall; within this Power Brands active customers +8.2%, driven by marketing recruitment and improved brand awareness.
- Further improvements to product quality and fashion credentials.
- JD Williams turnaround on track, with new customers up 21%. Online performance particularly encouraging, with penetration over 50% for the first time, up 8ppts yoy.
- Strong performance from Simply Be and Jacamo, with product revenue for both up 21%.
- Simply Be and Jacamo stores performed well, with LFL +6% and profitability of LFL stores +12%
- Full estate store review completed, with operational improvements made to Simply

Be and Jacamo store estate and 18 clearance stores closed.

- Good USA result, with revenue +35% and operating loss significantly reduced.
- Financial Services performance in line with expectations, with continued improvements in the quality of the credit book, and FCA application submitted.
- Fit 4 the Future systems transformation project on track.

Angela Spindler, Chief Executive, said:

"We have continued to execute significant changes in H1 and have delivered results in line with our expectations. We are adjusting our retail business model and the way we operate, transforming from direct mail-led to digital first. This has been driven by a clear understanding of what customers want, and fuelled by technology.

We are pleased with the performance of our Power Brands. JD Williams delivered an encouraging performance, as the improvements we are making begin to take effect. For example, new customer online penetration increased by 21 percentage points to 74%. Simply Be and Jacamo, performed very strongly with revenue up over 20% yoy. Our financial services business is in good shape with performance in line with expectations as the quality of our credit book continues to improve.

Our transformation into a truly digital first, specialist-fit, fashion retailer is on track and is delivering tangible results, including good trading momentum online. We have previously communicated that this year will be significantly H2 weighted, and that remains the case. H2 has started well, with a pleasing performance in September, in line with our expectations and underpinning our confidence in the full year outturn."

Meeting for analysts and investors:

Management is hosting a presentation for analysts and investors at 9.30am. Please contact Nbrown@mhpc.com for further information. A live webcast of the presentation will be available at: www.nbrown.co.uk .

About N Brown Group:

N Brown Group is a leading multi-channel, specialist fit, fashion retailer headquartered in Manchester employing over 2,800 people. The Group's strategy has been to focus each of the brands in its portfolio towards niche markets which are poorly served on the high street, such as the plus-size and more mature customer segments. The Group had total sales of £818.0m as of February 2015 with online sales representing 62% of total revenue. N Brown's retail brands include JD Williams, Simply Be and Jacamo – our three Power brands, together with brands including Fashion World, Marisota, House of Bath, Figleaves and High & Mighty.

Next reporting date

The next reporting date is our Q3 / Christmas trading statement on 21 January 2016.

For further information:

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CEO REVIEW

Overview

We have continued to execute significant change in H1 as we transform our retail business model from direct mail-led to digital-first. This transformation is on track and is delivering tangible results. The financial performance in H1 has been in line with our expectations.

The 4.2% increase in continuing group revenue is evidence of a strongly improved performance from our Power Brands (with product revenue of these brands up a combined 8.4%), new customer growth, a further step change in online penetration and market share gains.

The 14.2% decline in operating profit before exceptional items is impacted by a number of H1 specific factors related to our transformation. This includes the timing of some marketing spend for our Autumn Winter campaigns, which occurred in H1 instead of H2, the increased operating costs from seven new Simply Be and Jacamo stores yoy, and increased depreciation and amortisation spend due to the investments in our systems.

The reduction in statutory profit before tax reflects the exceptional costs incurred in H1, which largely relate to redundancy costs as a result of the re-organisation of our Group and the closure of 18 clearance stores following a detailed review of our store estate. We are guiding today to significantly lower exceptional costs in H2, at £2m-£3m.

Finally, as a sign of the ongoing confidence in our strategy, the Board has maintained the interim dividend at 5.67p.

Our strategy

Our vision is to be the universally loved experts in fashion that fits, and our mission is to help our customers look and feel amazing through our trusted family of fashion brands.

Within these fashion brands we focus on three Power Brands – JD Williams, Simply Be and Jacamo, which, over time, we expect will become an ever-larger proportion of our Group revenue.

The four drivers of our success – in the form of sustainable, profitable growth over the long-term – are our strategic foundations:

- Product – Fantastic quality and fit fashion, home ranges, and relevant financial services
- Price – Great prices and flexible ways to pay
- People – Obsessed with customers, enriched with data and powered by technology
- Place – Whatever you want, wherever you are, whenever you want it, we make it easy

We are in the middle of a significant and exciting business transformation with a strategy focused on fundamentally improving our business and its long-term prospects. This transformation has not been without its challenges, but considerable progress has been made

and the Group is in a much better shape to deliver future profitable growth than it was two years ago. We have fundamentally changed the way the entire business operates – from a mail-order led, to a truly digital-first model.

We have always had a number of key strengths, including our customer demographics, our extensive customer file, our product fit capabilities, CRM and our credit book. We have been careful to maintain these.

We have also made good progress addressing a number of legacy weaknesses. The overhaul of our merchandising function is now largely complete, we have made strong progress with the relative pricing position of our products, we have significantly invested in and improved our digital marketing capabilities, our brand awareness continues to increase and we are half way through our systems infrastructure project, called Fit 4 the Future.

This gives us real confidence in our future. This is fuelled both by the improvements we are making to the business, as well as our significant growth opportunities. These include, but are not limited to, capitalising on our attractive market niches (plus-size and age 50-plus), broadening our appeal and growing scale – both here in the UK and internationally.

Further, given the significant change being implemented across our business towards becoming a digital-first, product-led, specialist-fit fashion retailer, we have sought to enhance our disclosure in several ways, both in terms of the profit and loss account and the KPIs we disclose in order to help external stakeholders judge progress on our strategy. Further details on these areas of enhanced disclosure are given below.

Judging our progress against this strategy

Over the past two years we have used seven KPIs to communicate our progress. These are: customer satisfaction, Ladieswear and Menswear market share, online penetration, Home & Gift penetration, international revenues and operating margin.

These KPIs remain as relevant as ever, but in seeking to inform more widely about the business we have decided to enhance our disclosure by providing additional, more granular KPIs, along with these existing seven measures. We will report on the following list of KPIs every six months.

	H1 FY16	H1 FY15	% change
CUSTOMERS			
Active customer accounts	4.15m	4.04m	+2.8%
% Growth of our most loyal customers*	+1.0%	-0.5%	+150bps
% Growth in Power Brand active customer accounts	+8.2%	+0.9%	+730bps
Customer satisfaction rating**	85.9%	83.6%	+230bps
PRODUCT			
Ladieswear market share, size 16+	4.3%	4.2%	+10bps
Menswear market share, chest 44"+	1.3%	1.2%	+10bps
Group returns rate (rolling 12 months)	27.8%	29.4%	-160bps
DIGITAL			
Online penetration	63%	58%	+5ppts
Online penetration of new customers	69%	62%	+7ppts
Conversion rate	5.7%	5.9%	-20bps
% of traffic from mobile devices	64%	52%	+12ppts
FINANCIAL SERVICES			
Arrears rate (>28 days)	10.0%	11.7%	-170bps
Provision rate	6.3%	7.3%	-100bps
New credit recruits (Rollers)***	150k	130k	+15%

**Defined as customers who have ordered in each of the last four seasons*
***UK Institute of Customer Service survey (UKICS)*
****Last six months, rounded figures. Rollers are those customers who roll a credit balance.*
Market shares calculated using Kantar data, 24 week ending 3rd August

Customers

Our active customer file increased by 2.8% over the half. In line with our strategy of growing our Power Brands ahead of our Support Brands, Power Brands active customers grew by 8.2% yoy, a very encouraging performance. Overall, 28% of demand came from new customers, a step up on the 23% seen in FY15.

As with all retailers, our long-term success depends on having loyal customers. Our most loyal customers (defined as those who have ordered at least one item in each of the last four seasons) grew by 1.0% yoy, a good performance, particularly in the context of the relatively large number of these customers.

We were delighted to be ranked third in the UK retail sector for customer services in the recent Institute of Customer Service survey, behind only Amazon and John Lewis. Our score of 85.9% is the highest we have received since we joined the institute in 2009, and is over 5ppts higher than the retail sector average.

Product

We had a satisfactory market share performance, increasing share in both Ladieswear (16+) and Menswear (44"+), although there remains a significant opportunity for further improvement in both categories.

We continue to improve our product quality, including materials, prints, trim, fit and size consistency. Importantly, we invested in an in-house design function for the first time in 2015, and this team is significantly improving our fashion credentials, ensuring we present our customers with comprehensive and on-trend collections in a brand-appropriate way. To date, this design function has only had input into our Womenswear ranges, with AW15 the first season to benefit. We will continue to invest in this in-house team, and expand into Menswear and Home in the coming 12-18 months.

In addition to continuing to develop unique and innovative products, this season we will also launch an exclusive range with Coast in larger sizes, which has been made possible due to our industry-leading fit capabilities.

The Group returns rate significantly improved, by 160bps to 27.8%. This is an excellent performance and demonstrates the strength of our product offering. The improvement in our returns rate was driven in equal measure by product mix, with Homewares outperforming, an increase in cash customers (who have a significantly lower returns rate), and the benefits from the improvements we have made to our products (such as size consistency).

The modernisation of our Homewares offer also continues to deliver strong growth in the category. Our strategy in Home remains unchanged – we aim to recruit new customers to our Fashion offering, but then see customers utilising their account to buy Homewares in addition to our core Fashion proposition.

Within Homewares we continue to focus on our “Famous Five” (these categories are Furniture, Gifting, Home Textiles, Kitchen and Home Décor, and Outdoor Living and Christmas). These categories are more own-brand dominant, with higher gross margin. Famous Five categories grew by 14% yoy, with Furniture a particular success driven by our new ranges.

Digital

We are fundamentally changing our business model, from traditional, mail order led to digital-first. Whilst catalogues will always be an important part of our customer offering – indeed, they are a material driver of traffic online – we now prioritise our online channels in every process across the business.

We continue to see strong metrics online, with demand up 17% and active customer numbers up 15% yoy. Q2 online demand was up 18%.

Online penetration, that is the proportion of sales which were generated online, stood at 63% in H1, a significant increase from the 58% in H1 last year. Mobile devices now account for 64% of our online traffic, an increase of 12ppts, driven by continued improvements in our mobile offering.

We have a loyal group of customers who are unlikely to transition online to the same extent as the overall UK population. For this reason, and as a leading indicator, we also view the online penetration of our new customers as a key metric. In H1 this stood at 69%, again a

marked increase from H1 last year (62%).

Our conversion rate, at 5.7%, is significantly higher than the industry average. Whilst the conversion rate overall declined slightly yoy, this was driven by the continued shift to mobile devices, which naturally have a lower conversion rate due to customers primarily browsing whilst on the move. The conversion rate improved for all three device types individually, with tablet conversion increasing by over 10% yoy, and smartphones by high single-digit, both due to the improvements we have made to our mobile sites. We are also pleased with our abandonment rates, which improved significantly for all three devices.

Financial Services

We are very pleased with the performance of our Financial Services business in H1, and this division remains an important enabler of our future growth. Financial Services revenue was down 0.4% in H1 to £116.6m, with Q1 –1.9% yoy and Q2 +1.0%, an improving trend as we annualised a number of policy changes we chose to make in May 2014.

The focus of our Financial Services business continues to be on three areas: maintaining our credit customer base, growing the number of incremental cash customers buying from us, and modernising our offer. In all three areas we saw an encouraging performance in H1. The modernisation of our Financial Services business is enabled by the Credit release of our systems transformation project “Fit 4 the Future”, which will give us the tools to continue to refine our credit decision making, charge variable APRs, offer promotional interest free periods and new credit products in 2016.

Credit arrears (>28 days) stood at 10.0% in H1, a 170bps improvement from 11.7% H1 last year. The provision rate improved from 7.3% to 6.3%. These good performances were due to policy changes in prior periods and improved fraud detection. As we go into H2 we expect both rates to increase slightly, due to seasonal timing factors (both arrears and provision rates are higher over the peak trading period) and the continued step-up in new customers, which initially increases both rates.

For the first time in three years we saw an increase in new credit customer recruits, up 15%, a very encouraging trend. We believe that this was driven by our improved product proposition. Looking forward, we expect our recently introduced 0% interest offer over the Christmas peak trading period, and, longer-term, the ability to offer customers a far more personal credit proposition through our new Fit 4 the Future systems, to both generate further new credit customers.

It is still relatively early days in terms of welcoming cash customers (these are customers who pay immediately on a credit or debit card, and do not open an account with us), but we continue to be pleased with our performance with cash customers. The introduction of cash customers has not had a significantly negative impact on the population of our credit customers who roll a balance. Instead, cash customers are either incremental or at the expense of credit customers who immediately paid off their balance, not incurring interest charges. Currently roughly half of new customers opt to open a credit account.

In common with the wider industry, we are now regulated by the FCA, having historically being regulated by the OFT. We submitted our application for full FCA authorisation in late September.

Power Brand performance

JD Williams continues to improve, although, as we have previously guided, the turnaround of our largest brand will take time, particularly given its diverse customer base. In H1 JD Williams product revenue was £103.1m, flat yoy, with Q2 product revenue slightly up yoy.

It is also important to note that JD Williams represents a group of seven historic titles that we have been migrating in to the JD Williams brand over the last year. We have moved from seven to three titles, but we still have to migrate Fifty Plus and Ambrose Wilson. It is encouraging to report that the JD Williams title performed very strongly, however performance was diluted specifically by the unmigrated title Ambrose Wilson. Our plan is to complete this migration through the course of 2016.

There are also a number of very encouraging signs, which give us confidence in the future development of the JD Williams brand:

- New customers were up 21% yoy in H1
- The online penetration of first orders increased by 21ppts yoy to 74%
- Overall online penetration of JD Williams was over 50% for the first time, up 8 ppts yoy
- Our market share of retail online traffic as measured by Hitwise, whilst still relatively small at 0.4%, was up 22% yoy
- In order to drive customer loyalty we introduced an online VIP scheme in H1, which has been very well received

The turnaround of JD Williams is very much a product-led one. Our in-house design function has been an important change, ensuring that we offer our customers current and relevant trends and continue to bring newness to our offer. Following the success of our Lorraine Kelly range, we extended the range to footwear this season.

Simply Be product revenue was up 21.4% yoy to £50.2m in H1, with an improving trend in Q2 versus Q1. The online penetration of Simply Be is now 89%, and 97% of new customer orders (excluding stores).

During H1 we further strengthened our digital marketing capabilities and stepped up our social engagement, with innovative campaigns such as #catwalkcontender, a search, working with Cosmopolitan magazine and Milk model agency, for a real customer to front our Christmas campaign. The four finalists of #catwalkcontender starred in our new Autumn TV advert.

We have also launched new ranges for AW15, including Simply Be Unique (product targeted at our most fashion conscious consumers), a capsule Coast range exclusively in sizes 20-26, a range with our new brand ambassador Jameela Jamil, and a range with plus-size blogger

Sprinkle of Glitter.

Jacamo product revenue was also up 21.4% to £30.4m, again with an improving trend Q2 versus Q1. Online penetration stands at 89%, or 97% of new customer orders (excluding stores).

We are pleased with the ongoing strong performance of Jacamo, which has been driven by improved product ranges. Going forward, we continue to focus on Jacamo's brand positioning and style credentials. Again, we significantly increased our social media engagement, the highlight being our #Hakarena campaign, which to date has been viewed by over 2.4m people online, trended at number one on twitter and touched over 39m people globally.

Systems investment – Fit 4 the Future

Our systems transformation project, Fit 4 the Future, remains on budget and on track in line with previous guidance. In parallel with the significant IT systems change, we are also running an organisational change programme to ensure that we maximise the benefits of our investment.

Our projections for costs and benefits is shown below, and remains unchanged from those disclosed in our full year results. Benefits will include cost reductions, increased demand, improved margin and cost avoidance. Some of these benefits will be reinvested back into the business.

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

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

Global multi-channel transformation involves a new core website transaction engine, fixing legacy issues which significantly slowed our speed to market. This new system will allow us to trade with far more agility going forwards. We will also move to full cloud-hosted technology, have global marketplace functionality and much improved personalisation capabilities.

Credit transformation modernises our credit proposition and allows us to operate in a far more flexible, customer relevant way. We will be able to charge variable APRs (at present our systems only allow two APR rates to be levied), and we will have the ability to make lending decisions tailored to individual customers and based on individual products.

Planning transformation significantly improves the systems used by our product teams, providing more enhanced data for merchandising decisions. This will, in time, improve our supply chain efficiency.

In H1 we implemented a new Finance system; this was separate to Fit 4 the Future, but was a foundation stage and also used the same processes of implementation. This was delivered to time and to budget. There are, of course, inherent risks with a project the size of Fit 4 the Future. We therefore continue to dedicate substantial time and focus, at all levels of the organisation, on project governance and risk mitigation.

H2 will see the first go-live releases of Fit 4 the Future. PowerCurve (Credit transformation), which gives us enhanced data for lending decisions, went live a few weeks ago, and our Simply Be euro website (part of Global Multi-channel transformation) goes live later on in H2.

International

USA

Our performance in the USA was good, with revenue of £6.2m, up 35% yoy and 24% in constant currency terms. We reduced the operating loss significantly, from £1.7m in H1 last year to £0.9m. During H1 we carried out our first PR activity in the USA, important for both building brand awareness and increasing social engagement. As part of this focus, we sponsored a special plus-size episode of America's Next Top Model. This show was watched by over 1.4 million, the highest viewed episode for two years, and drove an increase in traffic to our US website of over 100%.

We continue to be pleased with the performance of our third-party credit provider. This service is marketed to customers as a credit facility together with a points-based loyalty programme. Over two-thirds of new customers now elect to join this scheme. This is important for customer loyalty, with credit customers having a second order rate three times that of a cash customer.

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

Ireland

We are also pleased with the performance of our Ireland business, which saw positive revenue growth in constant currency terms for the first time in several years, driven by the product improvements we have made. Ireland revenues were £6.4m in H1, down 3.9% in sterling terms, but +5.9% on a constant currency basis.

Stores

Simply Be and Jacamo stores performance

Sales from our Simply Be and Jacamo stores were up 91% to £9.4m, or 6% on a LFL basis. The operating loss was £0.9m versus £0.6m last year, a good performance when the headwind of seven new stores yoy is considered. The profitability of LFL stores increased by 12%.

Today we have 15 stores, of which 14 are dual-fascia. Our long-term strategy here is unchanged – we plan to ultimately have 25 stores in total, covering 85% of the population.

We continue to see a positive halo effect from our store portfolio and they are also important in terms of serving customers and building brand awareness.

Store review
As previously announced, during H1 we carried out an efficiency review of our store estate. This review was comprehensive and resulted in two sets of outcomes:

1. **Improved efficiency in Simply Be and Jacamo stores**
    - Improved staff structures and store rotas, to better match demand patterns and increase efficiency
    - Changes to our store delivery frequencies, tailoring this to individual store requirements
    - A move to 'just in time' logistics processing of inventory for stores, to ensure that the appropriate products are prepared for stores at the right time

2. **Closure of our clearance stores**
   In late August we closed 18 clearance stores, after our store review concluded that disposing of unwanted stock through outlet stores was inefficient and outdated. Our excess inventory is now sold through online channels. The closure of these stores, and the associated loss of colleagues' roles was not a decision we took lightly. The move is in line with our digital-first strategy, however, and the payback was compelling at £3m cost savings per annum which we will reinvest back into our proposition and digital clearance channels. The exceptional costs associated with these closures is detailed on page 18.

FY15/16 Guidance
The key changes to our guidance are as follows:

- Whilst our Group gross margin guidance of -100bps to flat remains intact, we are today enhancing our disclosure and splitting gross margin guidance by Product and Financial Services
- A tightening of the guidance range for Depreciation & Amortisation, from £25-28m previously
- A tightening of the guidance range for Capex, from £50-60m previously
- An update to our Exceptional cost guidance

Our updated guidance for the full year is:

- Full year Product gross margin -25bps to +50bps
- Full year Financial Services gross margin -300bps to -200bps
- Full Year group operating costs up 3 to 5% (excluding Depreciation & Amortisation)
- Depreciation & Amortisation £26-28m
- Net interest £8-10m
- Capex £58-60m
- Tax rate c.20%
- H2 Exceptional costs of £2-3m

Outlook

Our transformation from direct mail-led to digital-first is on track and is delivering tangible results. As previously communicated, this year will be significantly H2 weighted. H2 has started well, with a pleasing performance in September, in line with our expectations. Our new Autumn Winter campaigns have been well received, and we look to the rest of the season with confidence.

FINANCIAL RESULTS

Revenue

Total continuing Group revenue was +4.2% to £415.8m. On a LFL basis H1 group revenue was +3.1%.

H1 Product revenue increased by 6.1% to £299.2m and Financial Services revenue declined by 0.4% to £116.6m.

Revenue performance by quarter was as follows:

% yoy growth	Q1	Q2
Product	+4.3%	+7.9%
Financial Services	-1.9%	+1.0%
Continuing Revenue	+2.5%	+5.8%

Q2 continuing revenue LFL was +4.7%.

Revenue performance by brand is shown below:

£m	H1 FY16	H1 FY15	Change
JD Williams	103.1	103.1	0.0%
Simply Be	50.2	41.4	+21.4%
Jacamo	30.4	25.0	+21.4%
Power Brands	**183.7**	**169.5**	**+8.4%**
Support Brands	77.1	79.4	-2.8%
Specialist Brands	38.4	33.2	+15.8%
Product total	**299.2**	**282.1**	**+6.1%**
Financial Services	**116.6**	**117.1**	**-0.4%**
Total continuing revenue	**415.8**	**399.2**	**+4.2%**
Gray & Osbourn (discont.'d)	4.1	8.1	-50%

Power Brand performance is discussed on page 9.

In line with our strategy of focusing our efforts and marketing spend on our Power Brands, revenue from Support Brands declined by 2.8% and accounted for 25.8% of product revenue, down 230bps versus last year.

Our Specialist Brands performed strongly in the year, with revenue +15.8%. This was driven by a continued good result from House of Bath.

Revenue by category was as follows:

£m	**H1 FY16**	**H1 FY15**	**Change**
Ladieswear	134.6	131.5	+2.4%
Menswear	40.6	41.8	-2.9%
Footwear	33.2	29.7	+11.9%
Home & Gift	90.8	79.1	+14.8%
Product total	299.2	282.1	+6.1%
Financial Services	116.6	117.1	-0.4%
Continuing Revenue	415.8	399.2	+4.2%

Ladieswear saw pleasing growth, of 2.4%, against a challenging market backdrop. Within this, the Q2 growth rate of Ladieswear was several percentage points higher than in Q1. Menswear revenue declined by 2.9%; within this, younger menswear outperformed, driven by Jacamo. We saw a good performance in Footwear, with revenue up 11.9%, albeit from a relatively low base, driven by continued product improvements.

Home and Gift revenue was up 14.8%. This was driven by improvements we have made to our product offering, helped by a favourable market backdrop. It was also a result of encouraging customers to increase their spend with us by also purchasing homewares, in addition to our core Fashion offering, in line with our strategy.

Operating performance – historic disclosure basis:

£m	**H1 FY16**	**H1 FY15**	% change
Gross Profit	218.6	211.0	+3.6%
Gross Margin %	52.6%	52.9%	-30bps
Distribution costs	(38.4)	(35.7)	+7.6%
Sales & Administration costs	(141.4)	(130.1)	+8.7%
Operating profit*	**38.8**	**45.2**	**-14.2%**
Operating margin	9.3%	11.3%	-200bps

**Operating profit before exceptionals, continuing basis*

Enhanced P&L disclosure

Given the significant change being implemented across our business as we become a digital-first, product-led, specialist-fit fashion retailer, we have sought to enhance our P&L disclosure in several ways:

- Changing the allocation of certain cost lines from product gross margin to operating costs, to bring our disclosure more in line with typical retail practice.
- Clearly splitting the gross margin performance of Product and Financial Services. This includes a move to reporting gross bad debt, as opposed to historical disclosure of net bad debt.
- Enhancing our operating cost disclosure to provide further clarity, moving from two categories – Distribution and Sales & Admin, to four – Warehouse & Fulfilment, Marketing & Production, Payroll & Other and Depreciation & Amortisation.

Gross margin – change to allocation

We are today moving to a more typical retail allocation of product COGS, re-allocating some group operating costs out of product gross margin and into group operating costs. This is more in line with the industry measurement of gross margin.

Using our new allocation, Group gross margin was 57.6%, versus 57.9% in H1 FY15 (using our historical cost allocation, H1 FY16 Group gross margin was 52.6%, down 30bps). The new allocation has the effect of changing our Group gross margin from 52.0% to 56.9% for the year ending February 2015.

H1 performance, enhanced disclosure method:

Product gross margin

Product COGS were £126.3m in H1 FY16, compared to £115.0m in H1 FY15. Product gross margin was 57.8%, down 140bps yoy. This movement was driven by the previously disclosed price re-calibration and the increased mix into Homewares, which has a lower gross margin.

Financial Services gross margin

Our gross bad debt was £46.3m in H1, 6.5% lower yoy (H1 FY15: £49.5m). This bad debt charge, combined with a small number of direct financial services costs, resulted in a Financial Services gross margin of 57.1%, up 230bps yoy. The improvement is driven by the better quality of the debtor book, together with the lag effect of lower customer recruitment levels in FY15.

Operating costs

In order to improve transparency and enable external stakeholders to better assess our operating performance we have today increased our operating cost disclosure:

- Distribution costs have been renamed Warehouse & Fulfilment costs, to better describe the activities they relate to.
- We have separated our Marketing & Production costs, these are the direct costs of all of our marketing activity and catalogue and digital production.
- Other operating costs, including central payroll, head office costs, store rent and rates, are now reported as Admin & Payroll costs.

- Depreciation & amortisation is distinctly split out.

Operating performance – enhanced disclosure basis:

£m	H1 FY16	H1 FY15	Change
Product revenue	299.2	282.1	+6.1%
Financial Services revenue	116.6	117.1	-0.4%
Group Revenue	**415.8**	**399.2**	**+4.2%**
Product gross margin	57.8%	59.2%	-140bps
Financial Services gross margin	57.1%	54.8%	+230bps
Group Gross Profit	**239.5**	**231.3**	**+3.5%**
Group Gross Margin %	**57.6%**	**57.9%**	**-30bps**
Warehouse & fulfilment	(38.4)	(35.7)	+7.6%
Marketing & production	(86.0)	(78.7)	+9.3%
Admin & payroll	(64.1)	(61.5)	+4.2%
Depreciation & amortisation	(12.2)	(10.2)	+19.6%
Operating Profit*	**38.8**	**45.2**	**-14.2%**
Operating Margin	9.3%	11.3%	-200bps

**Operating profit before exceptionals, continuing basis*

Warehouse and Fulfilment costs increased by 7.6% in H1, driven by higher volumes and the higher number of stores yoy. The 9.3% increase in marketing costs was driven primarily by a step up in recruitment for Simply Be and Jacamo, together with the timing of some TV campaign spend.

Admin and payroll costs were tightly managed, up 4.2%, in line with revenue growth. This performance is particularly pleasing given the significant headwind from seven more stores in the operating cost base yoy. Depreciation and amortisation increased by 19.6%, as a result of the investments we have made into the business.

The 14.2% decline in operating profit before exceptional items is impacted by a number of H1 specific factors related to our transformation. This includes the timing of some marketing spend for our Autumn Winter campaigns, which occurred in H1 instead of H2, the increased operating costs from seven new Simply Be and Jacamo stores yoy, and increased depreciation and amortisation spend due to the investments in our systems. The combination of a 30bps decline in gross margin, combined with operating cost growth higher than revenue growth, resulted in operating margin down 200bps yoy to 9.3%.

Net finance costs
Net finance costs were £3.8m compared to £3.6m last year.

During the period we completed our refinancing process at improved rates. The Group's borrowing facilities, expiring in March 2016, were previously financed through a £250m securitisation facility and two £50m bilateral Revolving Credit Facilities (RCF's). As a result of our refinancing process, we increased our securitisation facility to £280m and extended this for a further five years. We also replaced the two RCF's with a £125m facility plus a £50m accordion feature.

Exceptional items
Exceptional costs totalled £14.8m in H1. The split of these costs is shown below.

£m	H1 FY16
Strategy costs (re-organisation)	5.3
VAT related costs	0.6
Clearance store closure costs	8.9
Total exceptional costs	14.8

As previously reported we remain in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is still not possible to determine when or how this matter will be resolved. However, within our year end VAT creditor is an asset of £22.8m which has arisen as a result of cash payments made under protective assessments raised by HMRC. Based on legal counsels' advice, we believe that we will recover this amount in full from HMRC.

Discontinued operation – Gray & Osbourn
As previously announced, the Board decided to close the Gray & Osbourn catalogue business in January 2015. Given the decision to close this business it is now classified as a discontinued operation.

Taxation
The effective rate of corporation tax for the half year is 20.0% (H1 FY15 21.7%). The tax charge for the half year is £3.8m (H1 FY15, £9.3m) which meant that profit after taxation and attributable to shareholders was down by 53.9% to £15.4m (H1 FY15 £33.4m).

Earnings per share
Adjusted earnings per share from continuing operations were 5.74p (H1 FY15: 11.56p). Statutory earnings per share from continuing operations were 5.53p (H1 FY15: 11.88p).

Dividends
The Board is maintaining the first half dividend at 5.67 pence per share. This is covered 1.0 times (H1 FY15: 2.0 times).

Capital expenditure
Capitalised expenditure for the half year was £31.9m (H1 FY15, £30.8m).

The breakdown of our capital expenditure is as follows:

£m	26 weeks to 29 August 2015
Fit 4 the Future	13
Warehouse	8
Stores	0
IT	7
Other	3
Total capital expenditure	31.9

Balance Sheet and Cash Flow
Inventory levels at the half-end decreased by 2.5% to £89.0m (H1 FY15 £91.3m). Trade and other receivables decreased by 0.3% to £589.1m (H1 FY15, £591.1m).

The gross bad debt charge decreased to £46.3m from £49.5m in H1 FY15. The reduction in the provision reflects the improvement in customer arrears profiles, together with the lag effect of a lower level of customer recruitment last year. We have previously reported a net bad debt figure; on this basis the charge in H1 would have been £34.9m (H1 FY15 £35.0m).

The group's defined benefit pension scheme has moved from a deficit of £5.2m last year to a surplus of £2.2m, due to an improvement in corporate bond yields.

Net cash generated from operations was £73.9m in H1, driven by improved working capital. After funding capital expenditure, finance costs, taxation and dividends, net debt increased by £34.6m to £239.8m (H1 FY15, £205.2m). Gearing levels increased from 41% to 49%.

Appendix: Prior year performance, enhanced disclosure basis

Operating profit, enhanced disclosure

£m	FY15	FY14	FY13
Product gross margin	56.4%	58.7%	58.6%
Financial Services gross margin	58.0%	54.0%	54.7%
Group Gross Profit	**465.4**	**469.4**	**441.4**
Group Gross Margin %	**56.9%**	**57.3%**	**57.4%**
Warehouse & fulfilment	(73.9)	(69.4)	(64.6)
Marketing & production	(154.2)	(155.9)	(147.4)
Admin & payroll	(122.3)	(117.5)	(108.9)
Depreciation & amortisation	(21.2)	(20.1)	(18.7)
Operating Profit*	93.8	106.5	101.8

**Operating profit before exceptionals, continuing basis*

Receivables, enhanced disclosure

£m	28 Feb 2015	1 March 2014	2 March 2013
Gross Trade Receivables	627.9	628.1	583.5
Opening Bad Debt Provision	50.2	55.7	49.3
Gross Bad Debt Charge	91.8	104.8	97.0
Debtors Written Off	(101.5)	(110.3)	(90.6)
Closing Bad Debt Provision	40.5	50.2	55.7
Provision Ratio	6.5%	8.0%	9.5%

Unaudited condensed consolidated income statement

Continuing operations	Note	26 weeks to 29-Aug-15 £m		26 weeks to 30-Aug-14 £m		52 weeks to 28-Feb-15 £m	
Revenue	4	**415.8**		399.2		818.0	
Operating profit before exceptional items		**38.8**		45.2		93.8	
Exceptional items	5	**(14.8)**		-		(12.6)	
Operating profit	4	**24.0**		45.2		81.2	
Investment income		**-**		-		0.1	
Finance costs		**(3.8)**		(3.6)		(7.7)	
Profit before taxation and fair value adjustments to financial instruments		**20.2**		41.6		73.6	
Fair value adjustments to financial instruments	7	**(0.8)**		1.1		2.7	
Profit before taxation		**19.4**		42.7		76.3	
Taxation	8	**(3.8)**		(9.3)		(16.5)	
Profit for the year from continuing operations		**15.6**		33.4		59.8	
Loss for the year from discontinued operations	6	**(0.2)**		-		(10.4)	
Profit attributable to equity holders of the parent		**15.4**		33.4		49.4	
Adjusted earnings per share from continuing operations	9						
Basic		**5.74**	**p**	11.56	p	20.49	p
Diluted		**5.74**	**p**	11.51	p	20.43	p
Earnings per share from continuing operations	9						
Basic		**5.53**	**p**	11.88	p	21.23	p

Diluted		**5.52 p**	11.83 p	21.17 p
Earnings per share from continuing and discontinued operations	9			
Basic		**5.46 p**	11.88 p	17.54 p
Diluted		**5.45 p**	11.83 p	17.49 p

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 29-Aug-15 £m	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Profit for the period	**15.4**	33.4	49.4
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	**5.8**	(0.8)	1.4
Tax relating to items not reclassified	**(1.1)**	0.2	(0.3)
	4.7	(0.6)	1.1
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**-**	(0.4)	(0.9)
Total comprehensive income for the period attributable to equity holders of the parent	**20.1**	32.4	49.6

Unaudited condensed consolidated balance sheet

	Note	**29-Aug-15 £m**	30-Aug-14 £m	28-Feb-15 £m
Non-current assets				
Intangible assets		**113.1**	94.0	98.3
Property, plant & equipment		**74.7**	63.1	70.5
Retirement benefit surplus		**2.2**	-	-
Deferred tax assets		**2.6**	5.0	3.2
		192.6	162.1	172.0
Current assets				
Inventories		**89.0**	91.3	94.8
Trade and other receivables	11	**589.1**	591.1	609.9
Derivative financial instruments	7	**0.3**	-	1.1
Cash and cash equivalents		**40.2**	44.8	40.4
		718.6	727.2	746.2
Total assets		**911.2**	889.3	918.2
Current liabilities				
Bank loans		**(30.0)**	-	(7.0)
Trade and other payables		**(118.2)**	(114.6)	(108.9)
Derivative financial instruments	7	**-**	(0.5)	-
Current tax liability		**(10.3)**	(15.1)	(13.9)
		(158.5)	(130.2)	(129.8)
Net current assets		**560.1**	597.0	616.4
Non-current liabilities				
Bank loans		**(250.0)**	(250.0)	(280.0)
Retirement benefit obligation		**-**	(5.2)	(3.3)
Deferred tax liabilities		**(8.9)**	(8.6)	(8.5)
		(258.9)	(263.8)	(291.8)
Total liabilities		**(417.4)**	(394.0)	(421.6)
Net assets		**493.8**	495.3	496.6
Equity				
Share capital		**31.3**	31.3	31.3
Share premium account		**11.0**	11.0	11.0
Own shares		**(0.2)**	(0.3)	(0.3)
Foreign currency translation reserve		**1.0**	1.5	1.0
Retained earnings		**450.7**	451.8	453.6
Total equity		**493.8**	495.3	496.6

Unaudited condensed consolidated cash flow statement

	26 weeks to 29-Aug-15 £m	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Net cash from operating activities	**66.4**	67.3	73.1
Investing activities			
Proceeds on disposal of property, plant and equipment	**-**	-	0.1
Purchases of property, plant and equipment	**(8.5)**	(2.8)	(14.9)
Purchases of intangible assets	**(23.1)**	(28.0)	(44.6)
Interest received	**-**	-	0.1
Net cash used in investing activities	**(31.6)**	(30.8)	(59.3)
Financing activities			
Interest paid	**(4.0)**	(4.5)	(7.4)
Dividends paid	**(24.2)**	(24.0)	(40.0)
(Decrease)/increase in bank loans	**(7.0)**	(9.0)	28.0
Purchase of shares by ESOT	**(0.4)**	(0.2)	(0.2)
Proceeds on issue of shares held by ESOT	**0.6**	0.7	0.9
Net cash used in financing activities	**(35.0)**	(37.0)	(18.7)
Net decrease in cash and cash equivalents	**(0.2)**	(0.5)	(4.9)
Opening cash and cash equivalents	**40.4**	45.3	45.3
Closing cash and cash equivalents	**40.2**	44.8	40.4

Reconciliation of operating profit to net cash from operating activities

	26 weeks to 29-Aug-15 £m	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Operating profit from continuing operations	**24.0**	45.2	81.2
Operating (loss) from discontinued operations	**(0.2)**	-	(11.0)
Adjustments for:			
Depreciation of property, plant and equipment	**3.1**	2.9	8.0

Loss/(gain) on disposal of property, plant and equipment	**0.7**	-	(0.1)
Amortisation of intangible assets	**9.1**	7.3	15.0
Impairment of intangible assets	**-**	-	8.0
Share option charge	**1.1**	1.1	2.1
Operating cash flows before movements in working capital	**37.8**	56.5	103.2
Decrease/(increase) in inventories	**5.8**	(1.3)	(4.9)
Decrease/(increase) in trade and other receivables	**20.9**	7.5	(9.9)
Increase in trade and other payables	**9.2**	17.5	5.1
Pension obligation adjustment	**0.2**	0.1	0.3
Cash generated by operations	**73.9**	80.3	93.8
Taxation paid	**(7.5)**	(13.0)	(20.7)
Net cash from operating activities	**66.4**	67.3	73.1

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 2015						
Balance at 28 February 2015	31.3	11.0	(0.3)	1.0	453.6	496.6
Profit for the period	-	-	-	-	15.4	15.4
Other items of comprehensive income for the period	-	-	-	-	4.7	4.7
Total comprehensive income for the period	-	-	-	-	20.1	20.1
Equity dividends	-	-	-	-	(24.2)	(24.2)
Purchase of own shares by ESOT	-	-	(0.4)	-	-	(0.4)
Issue of own shares by ESOT	-	-	0.5	-	-	0.5
Adjustment to equity for share payments	-	-	-	-	0.1	0.1
Share option charge	-	-	-	-	1.1	1.1
Balance at 29 August 2015	**31.3**	**11.0**	**(0.2)**	**1.0**	**450.7**	**493.8**
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 52 weeks to 28 February 2015

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

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

This condensed set of financial statements for the 26 weeks ended 29 August 2015 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

The financial information for the 52 weeks ended 28 February 2015 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 annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the 52 weeks ended 28 February 2015.

2. Risks and uncertainties

There are a number of risks and uncertainties which could have an impact on the group's performance over the remaining months of the financial year and cause actual results to differ materially from expected and historical results. These were set out in detail in the annual report for the 52 weeks ended 28 February 2015 and have been reviewed and updated during the first half of the current year. The risks which could have a material impact on the group's performance for the remainder of the current year are as follows; Business change/transformation unsuccessful; Competition; IT Systems and cybersecurity; People; Liquidity and Credit risk management, Regulatory environment and taxation.

In light of changes to the regulatory environment the group has undertaken a detailed review of its compliance with the CCA and submitted its application to the FCA for full authorisation. Whilst the group considers that it is compliant, there is a risk that an eventual outcome may differ. 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.

3. Going concern

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

The directors have considered carefully its cash flows and banking covenants for the next twelve months from the date of approval of the group's interim results. 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 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 £405m - which are committed until 2020 - and its £20m overdraft facility.

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 29-Aug-15 £m**	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Analysis of revenue - Home shopping			
Product	**299.2**	282.1	582.9
Financial services	**116.6**	117.1	235.1
	415.8	399.2	818.0
Analysis of cost of sales - Home shopping			
Product	**(126.3)**	(115.0)	(253.9)
Financial services	**(50.0)**	(52.9)	(98.7)
	(176.3)	(167.9)	(352.6)
Gross profit	**239.5**	231.3	465.4
Gross margin - Product	**57.8%**	59.2%	56.4%
Gross margin - Financial Services	**57.1%**	54.8%	58.0%
Warehouse & fulfilment	**(38.4)**	(35.7)	(73.9)
Marketing & production	**(86.0)**	(78.7)	(154.7)
Depreciation & amortisation	**(12.2)**	(10.2)	(21.2)
Other admin & payroll	**(64.1)**	(61.5)	(121.8)
Exceptional items (see note 5)	**(14.8)**	-	(12.6)
Segment result & operating profit - Home shopping	**24.0**	45.2	81.2
Investment income	**-**	-	0.1
Finance costs	**(3.8)**	(3.6)	(7.7)
Fair value adjustments to financial instruments	**(0.8)**	1.1	2.7
Profit before taxation	**19.4**	42.7	76.3

Given the significant change being implemented across our business as we become a digital-first, product-led, specialist-fit fashion retailer, we have sought to enhance our P&L disclosure in several ways:

(1) Changing the allocation of certain cost lines from product gross margin to operating costs, to bring our disclosure more in line with typical retail practice.

(2) Splitting the gross margin performance of Product and Financial Services.

(3) Enhancing our operating cost disclosure to provide further clarity, moving from two categories – Distribution and Sales & Administration costs, to four – Warehouse & Fulfilment, Marketing & Production, Depreciation & amortisation, Other admin & payroll. All the prior year comparatives have been adjusted accordingly.

The group has one significant geographical segment that operates in and derives revenue from the United Kingdom. Revenue derived from international markets amounted to £15.0m (H1 FY15, £14.0m) and incurred operating losses of £0.4m (H1 FY15, £1.2m). All segment assets are located in the UK and Ireland.

5. Exceptional items

	26 weeks to 29-Aug-15 £m	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Strategy costs	**5.3**	**-**	5.6
VAT related costs	**0.6**	**-**	7.0
Clearance store closure costs	**8.9**	**-**	-
	14.8	**-**	12.6

Strategy costs relate to group re-organisation costs in H1 FY16, and the outsourcing of our Call Centre in H2 FY15.

VAT related costs in H2 FY15 related to a potential settlement with HMRC in respect of VAT recovery on bad debts written off over a number of years. We anticipate that this matter will be settled in the current financial year. The VAT related costs in H1 FY16 are legal costs associated with disputes with HMRC on this and other issues.

In H1 FY16 we closed our retail clearance stores, in line with our strategy to become digital first. The exceptional costs of £8.9m relate to stock write downs, onerous lease provisions and other related closure costs.

Notes to the unaudited condensed consolidated financial statements

6. Discontinued operations

Following a review of the business and its future profit potential, the board decided in January 2015 to close the Gray & Osbourn catalogue business. The process is ongoing and has continued into the current financial year.

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

	26 weeks to 29-Aug-15 £m	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Revenue	**4.1**	8.1	14.5
Expenses	**(4.3)**	(8.1)	(17.5)
Brand impairment	**-**	-	(8.0)
Loss before tax	**(0.2)**	-	(11.0)
Attributable tax credit	**-**	-	0.6
Net loss attributable to discontinued operations	**(0.2)**	-	(10.4)

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

7. Derivative financial instruments

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

	26 weeks to 29-Aug-15 £m	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Notional Amount - Sterling contract value	**30.9**	24.0	33.9
Fair value of asset/(liability) recognised	**0.3**	(0.5)	1.1

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £0.8m (H1 FY15, credit of £1.1m) 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 (H1 FY15, 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 (H1 FY15, same).

8. Taxation

The taxation charge for the 26 weeks ended 29 August 2015 is based on the estimated effective tax rate for the full year of 20.0%. (H1 FY15, 21.7%)

Notes to the unaudited condensed consolidated financial statements

9. Earnings per share

Earnings	**26 weeks to 29-Aug-15 £m**	26 weeks to 30-Aug-14 £m	52 weeks to 28-Feb-15 £m
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**15.4**	33.4	49.4
Adjustments to exclude loss for the period from discontinued operations	**0.2**	-	10.4
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share excluding discontinued operations	**15.6**	33.4	59.8
Fair value adjustment to financial instruments (net of tax)	**0.6**	(0.9)	(2.1)
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share excluding discontinued operations	**16.2**	32.5	57.7

Number of shares	**26 weeks to 29-Aug-15 No. ('000s)**	26 weeks to 30-Aug-14 No. ('000s)	52 weeks to 28-Feb-15 No. ('000s)
Weighted average number of shares in issue for the purpose of basic earnings per share	**282,177**	281,252	281,612
Effect of dilutive potential ordinary shares:			
Share options	**298**	1,010	856
Weighted average number of shares in issue for the purpose of diluted earnings per share	**282,475**	282,262	282,468

Earnings per share from continuing and discontinued operations

Basic	**5.46 p**	11.88 p	17.54 p
Diluted	**5.45 p**	11.83 p	17.49 p

Earnings per share from continuing operations						
Basic	**5.53**	**p**	11.88	p	21.23	p
Diluted	**5.52**	**p**	11.83	p	21.17	p
Adjusted earnings per share from continuing operations						
Basic	**5.74**	**p**	11.56	p	20.49	p
Diluted	**5.74**	**p**	11.51	p	20.43	p
Earnings per share from discontinued operations						
Basic	**(0.07)**	**p**	-	p	(3.69)	p
Diluted	**(0.07)**	**p**	-	p	(3.68)	p

Notes to the unaudited condensed consolidated financial statements

10. Tangible & intangible assets

Additions to tangible fixed assets during the period of £8.0m (H1 FY15, £2.8m) primarily relate to warehousing. Depreciation of £3.1m (H1 FY15, £2.9m) was charged during the period.

Additions to intangible fixed assets during the period of £23.9m (H1 FY15, £28.0m) primarily relate to new IT system development. Amortisation of £9.1m (H1 FY15, £7.3m) was charged during the period.

11. Trade and other receivables

	29-Aug-15	30-Aug-14	28-Feb-15
	£m	£m	£m
Amount receivable for the sale of goods and services	**606.8**	609.5	627.9
Allowance for doubtful debts	**(38.2)**	(44.4)	(40.5)
	568.6	565.1	587.4
Other debtors and prepayments	**20.5**	26.0	22.5
	589.1	591.1	609.9

Movement in the allowance for doubtful debts			
Balance at the beginning of the period	**40.5**	50.2	50.2
Amounts charged to the income statement	**46.3**	49.5	91.8
Amounts written off	**(48.6)**	(55.3)	(101.5)
Balance at the end of the period	**38.2**	44.4	40.5

As part of the decision to enhance our P&L disclosure referred to in note 4 we now report a gross bad debt charge as opposed to the historical disclosure of net bad debt. All the prior year comparatives have been adjusted accordingly.

Notes to the unaudited condensed consolidated financial statements

12. Dividends

The directors have declared and approved an interim dividend of 5.67p per share (H1 FY15, 5.67p). This will be paid on 8 January 2016 to shareholders on the register at the close of business on 11 December 2015.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

- the interim management report includes a fair review of the information required by:

    (a)DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and

    (b)DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Angela Spindler	Craig Lovelace
Chief Executive	Chief Financial Officer

14 October 2015

Independent review report to N Brown Group plc

Introduction

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 29 August 2015 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 explanatory notes. 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 the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

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 DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting," as adopted by the EU.

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 UK. 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 29 August 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stuart Burdass
for and behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
14 October 2015