11 October 2016

FIRST HALF RESULTS FOR THE 26 WEEKS ENDED 27 AUGUST 2016

CONTINUED PROGRESS WITH DIGITAL TRANSFORMATION
CURRENT TRADING ON TRACK

N Brown Group Plc, the leading multi-channel, specialist fit fashion retailer today announces results for the first half to 27 August 2016.

Financial highlights:

- Total group revenue +1.0% to £429.4m (H1 FY16: £425.3m)
- Product revenue +0.6% and Financial Services revenue +1.9%
- Product gross margin 55.9% and Financial Services gross margin 55.0%
- Adjusted* profit before tax £31.6m (H1 FY16: £39.4m), ahead of consensus expectations
- Statutory profit before tax £21.1m (H1 FY16: £23.8m)
- Exceptional cost of £9m related to financial services customer redress, compared to the £5m-£8m previously announced
- Adjusted* earnings per share from continuing operations 8.95p (H1 FY16: 11.16p)
- Statutory earnings per share 5.98p (H1 FY16: 6.70p)
- Proposed interim dividend flat year on year at 5.67p
- Net debt £286.7m (H1 FY16: £239.8m)
- All H1 FY16 figures have been restated for IAS 39, as previously announced

**Defined as excluding exceptionals and unrealised FX movement and therefore represents the underlying trading performance.*

Operational highlights:

- Good progress with digital transformation:
    - o Online penetration 68%, +5ppts yoy
    - o Online revenue up 7.5% yoy; online revenue of Power Brands +10%
    - o Online penetration of new customers up 7ppts to 76%
    - o 70% of all traffic from mobile devices
    - o Launched innovation incubator JDWorks, partnering with 7 digital start-ups
- Good Power Brands performance
    - o Power Brands active customers +14.7% (excluding Fifty Plus)
    - o JD Williams product revenue, which includes the Fifty Plus brand, +0.3% to £75.8m. JD Williams brand itself +11%

    - Simply Be product revenue +6.2% to £53.3m
    - Jacamo product revenue +3.3% to £31.4m
- USA revenue +24.5% (+14.7% constant currency) to £7.7m; operating loss £0.5m (H1 FY16 £0.9m loss)
- Financial Services strong performance, with revenue +1.9% and a further improvement in the quality of the debt book
- Full FCA authorisation granted
- As previously announced, rollout timetable for remaining Fit 4 the Future programme extended. The additional cost will be incorporated within FY18 capex of c.£40m (previous guidance for FY18 capex: £30m-£40m). Overall benefits from the programme remain unchanged.

Angela Spindler, Chief Executive, said:

"I am pleased with the progress we made during the half, as we continue to change to a digital business model, with an emphasis on agility and innovation. Spring Summer was challenging for the entire retail sector, and we were not immune to this, but we demonstrated our flexibility as we improved revenue performance through the season whilst controlling our costs well.

"Our Power Brands continue to outperform the wider business, and I am particularly encouraged by the 11% revenue growth of the JD Williams brand. Our digital KPIs remain very strong, with 68% online penetration and 7.5% growth in online revenues.

"In recent weeks we have reached two significant milestones: our full FCA authorisation and the launch of our new USA website. The learnings from the USA launch have led us to extend the remaining rollout timetable for our Fit 4 the Future systems project. We remain very positive about the capabilities the programme will bring. We also have new initiatives underway which will further improve our customer reach and add momentum to our transformation.

"The Autumn Winter season has started in line with our plans. Our improving agility is enabling us to trade the business in a volatile environment. At this stage we are comfortable with current market expectations for the full year."

Meeting for analysts and investors:
Management is hosting a presentation for analysts and investors at 9.15am. Please contact Nbrown@mhpc.com for further information. A live webcast of the presentation will be available at: www.nbrown.co.uk.

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About N Brown Group:
N Brown Group plc is a leading multi-channel, specialist fit, fashion retailer offering customers an extensive range of products in clothing, footwear and homewares.

The Group has 140 years of experience in home shopping and is focused on its core mantra of 'Fashion that Fits'. The Group is transforming from being direct mail-led to digital-first, and two-thirds of revenues now come online. Its portfolio of trusted retail brands - including its three Power Brands; JD Williams, Simply Be and Jacamo – all serve a specific niche consumer group which have historically been poorly served on the high street. Other brands include Fashion World, Marisota, House of Bath, Figleaves and High & Mighty.

N Brown is headquartered in Manchester where it designs, sources and creates its product offer, and employs over 2,600 people across the UK.

Next reporting date
The next reporting date is our Q3 trading statement on 19th January 2017.

Overview

The first half has seen encouraging progress in our transformation to a digital retail model.

Group revenue was up 1.0% to £429.4m, with Product up 0.6% and Financial Services up 1.9%. This represents a solid result in a challenging period for the sector. Our three Power Brands all delivered healthy growth, and we continue to make strong progress in our digital KPIs.

Product gross margin was 55.9%, down 190bps year on year, primarily due to the promotional stance we took in a volatile season. Financial Services gross margin was down 130bps, against a strong comparative last year. Operating costs were tightly managed. Depreciation and Amortisation increased by 11.5% due to the continued investment in the business.

Trading profit before tax was 19.8% lower at £31.6m, but ahead of market expectations. Exceptional costs of £10.2m largely relate to financial services customer redress as previously announced.

The Board recognises the importance of the dividend to shareholders, and accordingly, is holding the interim dividend flat on last year, at 5.67p, as we continue with our strategic transformation.

Since the period end two important milestones have been achieved. We were granted full unconditional FCA authorisation for our Financial Services model; and our USA website went live, the biggest deliverable to date from our Fit 4 the Future systems transformation programme. The learnings from this USA launch have led us to extend the rollout timetable for the overall programme, however we are confident in the programme and the business benefits it delivers.

We have started the Autumn Winter season on plan. At this stage we are comfortable with current market expectations for the full year.

First half review

KPI performance

	H1 FY17	H1 FY16	% change
CUSTOMERS			
Active customer accounts	4.21m	4.27m	-1.5%
Power Brand active customer accounts	2.1m	2.2m	-2.6%
Power Brand customers exc Fifty Plus	1.8m	1.6m	+14.7%
% Growth of our most loyal customers*	-0.4%	+1.0%	-140bps
Customer satisfaction rating**	84.6%	85.8%	-120bps
PRODUCT			
Ladieswear market share, size 16+	4.3%	4.3%	-
Menswear market share, chest 44”+	1.3%	1.1%	+20bps
Group returns rate (rolling 12 months)	27.0%	27.8%	-80bps

DIGITAL			
Online penetration	68%	63%	+5ppts
Online penetration of new customers	76%	69%	+7ppts
Conversion rate	5.7%	5.7%	-
% of traffic from mobile devices	70%	64%	+6ppts
FINANCIAL SERVICES			
Arrears rate (>28 days)	9.8%	10.0%	-30bps
Provision rate (H1 FY16 restated)	12.7%	15.5%	-280bps
New credit recruits (Rollers)***	120k	150k	-19%

** 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 are calculated using internal and Kantar data, 24 weeks ending 31st July

Customers

Our active customer file declined by 1.5% to 4.21m, a solid result given the weak sector backdrop and ongoing headwind from our Fifty Plus and Traditional titles. Power Brand active customers, excluding Fifty Plus, increased by 14.7%, a very pleasing result. If we include Fifty Plus, Power Brands active customers declined by 2.6%. This is due to a decline in Fifty Plus customers as we reduced marketing spend ahead of its migration into JD Williams.

Our most loyal customers saw a 0.4% decline this half, in line with that reported six months ago, as the headwind from the decline of our Traditional segment continues to have an impact. As previously communicated, we expect to see an improvement in our Traditional business from Autumn onwards, and therefore expect this KPI to stabilise.

The 84.6% customer satisfaction score from the Institute of Customer Service, whilst slightly down from the previous figure, continues to place us significantly ahead of the wider sector average, which stands at 82.0%.

Product

Market share in Ladieswear (16+) was flat at 4.3% in a relatively weak ladieswear season. Within this we gained share in younger Ladieswear, driven by Simply Be. Menswear (44"+) market share increased by 20bps to 1.3%.

Our product offer continues to improve. We now have a team of 15 in-house designers who cover all product categories. This Autumn marks the first season with full influence from the team.

We continue to expand our offering of third-party brands, many of which are extended to larger sizes on an exclusive basis. New brands introduced in the last six months include Wolf and Whistle, Vero Moda, Religion, Helene Berman, Not Your Daughters Jeans, Timberland, Ann Summers and Gossard.

The lead time for our product also continues to improve significantly, in part due to sourcing from Europe and, increasingly, the UK. Our fastest lead time for a new product has improved from 10 weeks two years ago to three weeks today. For repeat purchases, our fastest lead time is now seven days compared to seven weeks just two years ago. This agility gives us the ability to respond quickly to market trends, weather patterns and emerging styles.

We again saw an improvement in our returns rate, of 80bps to 27.0%. This was driven by underlying improvements in our product offering, product mix, and an increase in cash customers, who naturally have a lower returns rate.

Digital

We are first and foremost an online retailer, and this is the most profitable channel for us. During the half online revenue increased by 7.5%, with online Power Brand revenue up by 10%. Online active customers were up 8% year-on-year.

Online penetration (the proportion of sales which were generated online) was 68% during the half, up 5ppts on last year. Online penetration of new customers, a leading indicator for the group, was 76%, up 7ppts. Mobile devices (smartphones and tablets) account for 70% of online traffic, up 6ppts. Within this, smartphone sessions increased by 42% and this is the leading device type for traffic by a significant margin.

Our conversion rate was 5.7%, flat on last year, and remains significantly above the industry average. This performance is very pleasing given the naturally lower conversion rate on mobile devices. We significantly improved the conversion rate for all three device types (PC, smartphone and tablet) during the half, and continue to focus on this area to further drive customer experience and revenue.

Our innovation incubator, JDWorks, launched during the summer. The programme sees us partner with seven digital start-up companies for a ten week period, to accelerate our adoption of new ideas and technologies. These technologies include artificial intelligence, big data analytics, digitalised personal shopping and 3D virtual fitting.

Financial Services

Financial Services performed well during the half and remains an important business enabler. Financial Services revenue was up 1.9% to £128.5m (H1 FY16 restated £126.1m).

Credit arrears (>28 days) were 9.8% during the first half, down 30bps year-on-year, driven by a continued improvement in the quality of the debt book. The credit provision rate was 12.7%, down 280bps versus last year. This benefitted from the sale of a small quantum of high risk payment arrangement debt, which we were able to sell for a slightly better rate than book value. Assuming no further debt sales, we expect both the credit provision and arrears rate to remain broadly flat through the remainder of the year.

We continue to focus on growing two key customer bases – those who use their account (internally termed our 'rollers') and cash customers, who pay immediately on a credit or debit card. Currently half of new customers opt to open a credit account, and half are cash customers, in line with the trend reported at the full year results. Cash customers generate attractive returns, and are important in terms of driving our growth, broadening our appeal and enabling us to gain economies of scale.

New credit customer recruits who roll a balance declined by 19% to 120k, although this should be viewed against a strong 15% increase in the prior period. This was in line with our expectations prior to our more flexible credit systems going live. Ahead of our new credit systems going live, however, we have the opportunity to test the impact of a lower interest rate for appropriate new recruits. This trial will be in place through peak trading.

On 21st September we received our full FCA authorisation, having previously operated under a temporary licence since the FCA took over industry regulation in April 2014. This marks a significant milestone for our business. The authorisation was granted unconditionally.

As also announced on the 21st September, we have identified an error in our calculation of financial services customer complaint redress. We have notified the FCA accordingly and we are undertaking a detailed review. We currently anticipate that this will result in an exceptional cash cost of £9m, above the previously communicated range of £5m-£8m. More detail is contained within note 14.

Performance by brand

Product revenue, £m	**H1 FY17**	**H1 FY16**	**Change**
JD Williams	75.8	75.6	+0.3%
Simply Be	53.3	50.2	+6.2%
Jacamo	31.4	30.4	+3.3%
Power Brands	**160.5**	**156.2**	**+2.7%**
Secondary Brands	75.2	74.9	+0.4%
Traditional Segment	65.2	68.1	-4.2%
Product total	**300.9**	**299.2**	**+0.6%**
Financial Services	**128.5**	**126.1**	**+1.9%**

Revenue from our Power Brands accounted for 53% of Group product revenue, up 110bps versus last year.

JD Williams

JD Williams' product revenue was £75.8m, up 0.3% yoy. Within this, JD Williams brand was up 11% and Fifty Plus was down 18%, as we reduced marketing investment in this title ahead of its migration into JD Williams. Trialling has commenced, however given the size of the customer file the migration will take place over two seasons. We expect the headwind to unwind as we go through this process. Our key priority will be optimising the customer experience to secure future growth potential.

There is good momentum in the JD Williams brand, with:

- 20% growth in active customers
- 42% increase in brand awareness
- Online penetration up 7ppts to 56%
- New customer online penetration at 78%
- Online sessions up 46% year-on-year

Last month we introduced “The Cut”, a collection of our best priced, current season clothes, to further reinforce our value for money credentials. Sales of these lines have significantly exceeded expectations, with sales up 75%.

We believe that JD Williams’ “Life begins at Fifty” proposition has real relevance with today’s customers. As part of our continuous customer engagement programme we recently launched “The New F Word”, a short film featuring nine inspirational women, all of whom have proved that 50 is an age to be celebrated. We premiered the film during London Fashion Week to great acclaim.

Simply Be product revenue was £53.3m, up 6.2% yoy. In line with the wider sector, spend per customer in Spring Summer was down year on year, however we are very encouraged by the double-digit increase in active customers during the half. Simply Be is now 91% online, and 98% if looking at purely new customer orders.

Our fast fashion sub-range Simply Be Unique continues to perform strongly, with revenues here near-doubling during the period. Our new Shape and Sculpt denim range, launched in July, has also resonated well with customers and sales to date have exceeded expectations. The jeans are made from premium multidirectional stretch denim, which has shape retaining properties, contain Tencel for a luxuriously soft feel and have a hidden tummy control panel for a slimmer silhouette.

We continue to drive customer engagement, with our recent protest about the lack of size inclusivity at London Fashion week a great example of this.

We are also pleased to announce that we will be launching a Simply Be shopping app ahead of peak trading this year.

Jacamo product revenue was £31.4m, up 3.3%. Sportswear was particularly strong, driven in part by expanded ranges in this category. Our collaboration with Jonnie Peacock last season was well received, and we launched our Autumn campaign with rugby player Dan Biggar. Social engagement is increasingly important for this brand, with #FlintoffVsSavage in June a particular highlight this half.

Jacamo is now a truly digital brand, with approaching 100% online penetration and very little paper marketing materials produced.

As part of a wider opportunity to access new customers through selling our brands on partner websites, we will be trialling a capsule collection of Jacamo on ASOS from January.

Secondary brands
During the first half Secondary brand revenue was £75.2m, up 0.4% year-on-year.

Fashion World, High and Mighty, and Marisota, each target specific customer niches. These brands have established customers and our strategy is to drive loyalty. The best performing secondary brand in the half was Fashion World, which has the highest credit usage across our brands. High and Mighty is transitioning from a predominantly stores to online model. Marisota is increasingly used as a product brand which focuses on fit solutions.

Figleaves went live with a new Demandware web platform in September, which will allow us to be more effective in driving future customer recruitment to this brand.

Traditional segment
Revenue from our Traditional segment was down by 4.2% to £65.2m, in line with our expectations and an improvement from the 5.5% decline we reported in FY16. This segment is not a significant growth driver for our business, however it remains relevant to our overall portfolio. We have loyal customers, years of experience and continue to generate a good financial return from this segment.

Our revised publications have seen significant uplifts in response rates, including a bespoke publication that has been specifically put together for the new traditional customer called Classic Detail. Amongst a number of improvements, our new mailing materials feature more age appropriate models, copy text that resonates with the traditional audience and strong value messaging throughout the publication. All this is backed up by bespoke email campaigns. We have also reinvested back into the product choice, particularly jersey and nightwear, and have seen significant increases in sales as a result.

We are pleased to report that the actions we have taken to improve performance are starting to have a positive impact as we enter the new Autumn Winter season.

<u>Fit 4 the Future</u>

To date, we have landed Cybersource and PowerCurve, which are key parts of our Credit transformation; Phase 1 of our new Merchandise systems; the Simply Be Euro foundation site and our new USA website.

<u>Global Multi-channel and Credit Transformation releases</u>

We replatformed our USA website to Hybris, and this went live in late September. Whilst very pleased with the new site, we recognised through the process of implementation and testing that we required more time to deliver the high functioning customer experience that we require for our brands.

As a consequence, as previously announced, we have extended the rollout for the remaining programme. This new programme has been developed with a focus on:

- Minimising the risks to ongoing trading
- Adjusting the programme to prioritise the releases based on their benefits case. This has enabled us to minimise the impact of delay.
- Phasing the programme to allow us to significantly reduce the run rate costs

The new timetable will see us launch our first UK site with an integrated credit proposition in Q1 FY18; this was previously planned for launch prior to FY17 peak trading. The planned timing of the Simply Be release has moved from Q1 to Q3 FY18. As this will represent the point in the project where the majority of the online customer functionality has landed, we will then be able to significantly step down the Fit 4 the Future programme. Site rollout will then be moved into normal business activity, thus significantly reducing our run rate costs. We plan to finish the rollout by summer 2018.

Planning transformation release

The timetable for our Planning transformation systems is ahead of that previously communicated. Following phase one going live in May we are now in the process of implementing phase two, our item-level forecasting tools. This will therefore benefit both the January sale period and Spring/Summer 2017, a season earlier than initially planned.

Programme costs and benefits

FY18 capex will be c.£40m, in line with previous guidance of £30m-£40m. The additional programme costs will be incorporated in this capex spend.

Our expectation of £45m of benefits remains unchanged. The phasing of these is also unchanged, and start to flow from FY18, with the full benefits from FY20 onwards. As previously disclosed, we will be reinvesting some of these benefits into the ongoing growth of the business.

International

USA

Whilst a small part of our overall business, the USA continues to represent a significant growth opportunity. USA revenue was £7.7m in the half, up 24.5% year on year and 14.7% in constant currency terms. The USA operating loss was reduced to £0.5m, from a loss of £0.9m last year.

The majority of our USA revenues are generated by the Simply Be brand, which continues to resonate strongly with customers. In March we launched the JD Williams brand in the USA and performance to date has been very encouraging.

In September we launched our new international web platform in the USA. This gives us much improved personalisation tools and a more agile site from an operations perspective. We have reduced our marketing programme during the post-launch hypercare period, which will impact performance through peak. We will add multi-currency, payment types and global ship-anywhere capability, in early 2017.

Ireland
Ireland revenues of £7.2m were up by 12.4% year-on-year, or 3.8% in constant currency terms. We are pleased with this performance, which was largely driven by the ongoing improvements to our product offering.

Stores
Store performance in the half was disappointing, with LFL revenue down 9% as we, like the wider industry, were impacted by weak footfall, particularly at the start of the season. We have taken actions, both in terms of driving revenue and reducing costs, and performance is improving. During the half we also took advantage of a number of lease expiries and reduced our High and Mighty store portfolio. Overall, revenue from our store estate was £11.5m (H1 FY16: £14.2m) and the operating loss was £0.9m (H1 FY16: £0.2m loss). We are pleased with the more recent momentum in our stores performance.

FY17 Guidance
The key changes to our guidance are as follows:

- Capex will be at the top end of our previous guidance range of £38m-£40m
- Net debt is now guided to be between £280m and £300m
- Exceptional costs of c.£12m for FY17, with c.£2m expected in H2 linked to our ongoing tax disputes with HMRC
- FY17 will be a 53-week year, this will result in a PBT benefit of c.£2m

All other full year guidance remains unchanged:

- Product gross margin -50bps to -150bps
- Financial Services gross margin +50bps to -50bps
- Group operating costs up 2% to 4% (excluding Depreciation & Amortisation)
- Depreciation & Amortisation £29m-£30m
- Net interest £8m-£9m
- Tax rate c.20%

Current trading and outlook

The Autumn Winter season has started in line with our plans. We have adopted a more assertive stance on pricing, including “The Cut” marketing campaign, which is working well as we approach peak. Our increasingly agile trading capability is allowing us to trade through a backdrop which remains volatile. At this stage we are comfortable with current market expectations for the full year.

FINANCIAL RESULTS

IAS 39 restatement

Last year we restated our debtor impairment provision as a result of a review of the application of IAS39. The following financial results and commentary is all on this restated basis.

Revenue performance

Total continuing Group revenue was +1.0% to £429.4m. Product revenue increased by 0.6% to £300.9m. Financial Services revenue increased by 1.9% to £128.5m (H1 FY16 restated: £126.1m).

Revenue performance by quarter was as follows:

% yoy growth	Q1 (13wks)	Q2 (13wks)
Product	-1.6%	+2.7%
Financial Services	+3.4%	+0.7%
Continuing Revenue	-0.2%	+2.1%

Revenue by category was as follows:

£m	H1 FY17	H1 FY16	Change
Ladieswear	134.3	134.6	-0.3%
Menswear	42.4	40.6	+4.5%
Footwear	30.8	33.2	-7.2%
Home & Gift	93.4	90.8	+2.9%
Product total	300.9	299.2	+0.6%

Ladieswear revenue performance reflected a generally weak sector backdrop, together with the drag from the decline of our Traditional segment. We are pleased with our Menswear revenue performance, driven by Jacamo. The year on year decline of Footwear revenue, whilst disappointing, is against a very strong comparative last year.

Home and Gift revenue was up 2.9%. Our strategy in Home remains unchanged – we aim to recruit new customers to our Fashion offering, but then see customers also buying Homewares. Within Homewares we focus on our "Famous Five" categories, which have higher gross margins (these are Furniture, Gifting, Home Textiles, Kitchen and Home Décor, and Outdoor Living and Christmas). Famous Five categories were up by 8% yoy, with Furniture again particularly strong.

Gross margin

Product

Product COGS were £132.8m, compared to £126.3m in the first half of FY16. Product gross margin was 55.9%, down 190bps yoy, ahead of the guidance range for the full year. This was primarily a result of increased promotions against a challenging sector backdrop, together with our ongoing inventory clearance exercise, as communicated at our full year results. These factors were partially offset by an improved bought in margin and favourable product mix.

Financial Services

Our gross bad debt charge was £55.1m (H1 FY16: £51.4m). This bad debt charge, together with a small number of other financial services costs, resulted in a Financial Services gross margin of 55.0%, down 130bps yoy. The decline in margin should be viewed against the 230bps increase in the first half of last year. We continue to take steps to improve the underlying quality of our debtor book.

Operating performance

£m	**H1 FY17**	**H1 FY16**	**Change**
Product revenue	300.9	299.2	+0.6%
Financial Services revenue	128.5	126.1	+1.9%
Group Revenue	429.4	425.3	+1.0%
Product gross margin	55.9%	57.8%	-190bps
Financial Services gross margin	55.0%	56.3%	-130bps
Group Gross Profit	**238.8**	**243.9**	**-2.3%**
Group Gross Margin %	**55.6%**	**57.3%**	**-170bps**
Warehouse & fulfilment	(38.2)	(38.4)	-0.5%
Marketing & production	(87.5)	(86.0)	+1.7%
Admin & payroll	(64.0)	(64.1)	-0.2%
Depreciation & amortization	(13.6)	(12.2)	+11.5%
Adjusted* Operating Profit	**35.5**	**43.2**	**-17.8%**
Adjusted* Operating Margin	8.3%	10.2%	

**Operating profit before exceptionals, continuing basis*

Warehouse and fulfilment costs declined by 0.5% to £38.2m, driven by continued efficiencies.

The 1.7% increase in marketing and production costs is skewed by the outsourcing of our creative production function last year, which resulted in some costs being transferred from payroll into this cost category; this accounted for approximately £1m of the increase.

Admin and payroll costs continue to be managed well, broadly flat at £64.0m. Depreciation and amortisation increased by 11.5% as a result of the investments we are making.

Overall, operating profit before exceptional items was £35.5m.

Net finance costs

Net finance costs were £3.9m, broadly in line with £3.8m last year, as an improvement in borrowing rates was offset by an increase in debt levels.

FX sensitivity

The EU referendum decision and subsequent moves in global exchange rates represent a challenge for the entire retail sector. We have now almost entirely hedged our dollar purchases for FY17; this has resulted in a smaller headwind than the previous guidance of £3m, with these savings reinvested into our promotional activity to drive revenues.

For FY18, we have, to date, hedged 50% of our net dollar purchases at a blended rate of $/£1.30. At a rate of $/£1.25, and before any mitigation, this would result in a c.£7m PBT headwind. Every 5 cents move from this rate, taking into account our current hedged position, results in a PBT sensitivity of c.£1.5m. Importantly, a number of mitigating activities are underway, including fabric and production planning, markdown optimisation and our ongoing work on supplier consolidation.

Exceptional items

Exceptional costs totalled £10.2m. The split of these costs is shown below.

£m	H1 FY17
External costs related to taxation matters	1.2
Financial Services customer redress	9.0
Total exceptional costs	10.2

The Financial Services customer redress exceptional cost of £9.0m is discussed in note 14. Remaining exceptional costs, of £1.2m relating to ongoing tax disputes with HMRC were in line with previous guidance.

Taxation

The effective rate of corporation tax for the first half is 20% (FY16: 20%). The tax charge for the period was £4.2m (H1 FY16: £4.7m) which meant that profit from continuing operations was £16.9m (H1 FY16: £19.1m).

Earnings per share

Adjusted earnings per share from continuing operations were 8.95p (H1 FY16: 11.16p). Earnings per share from continuing operations were 5.98p (H1 FY16: 6.77p).

Dividends

The Board recognises the importance of the dividend to shareholders and accordingly, is holding the interim dividend flat on last year, at 5.67p, as we continue with our strategic transformation.

Capital expenditure

Capital expenditure for the first half was £19.3m (FY16: £31.9m). The majority of this investment was on our systems transformation programme Fit 4 the Future.

Balance Sheet and Cash Flow

Inventory levels at the period end were up 11.2% to £99.0m (H1 FY16: £89.0m). We continue to dispose of a small amount of aged stock, as communicated at the FY16 results.

Gross trade receivables declined by 0.8% to £601.8m (H1 FY16: £606.8m). The provision declined from £94.2m to £76.4m, largely driven by the sale of some high risk payment arrangement debt at a slightly better rate than book value, along with ongoing progress in reducing overall debtor risk. The majority of the balance of debtors written off in the half relate to this debt sale. Outside of this, the risk profile of our debt book continues to improve.

The group’s defined benefit pension scheme has a surplus of £0.5m (H1 FY16: £2.2m surplus).

Net cash generated from operations was £59.2m compared to £73.9m last year. After funding capital expenditure, finance costs, taxation and dividends, net debt increased from £239.8m to £286.7m, in line with our expectations. Gearing levels increased from 53% to 62%.

Unaudited condensed consolidated income statement

Continuing operations	Note	26 weeks to 27-Aug-16 Before exceptional items £m	26 weeks to 27-Aug-16 Exceptional items (note 5) £m	26 weeks to 27-Aug-16 Total £m	26 weeks to 29-Aug-15 Before exceptional items £m *restated **	26 weeks to 29-Aug-15 Exceptional items (note 5) £m	26 weeks to 29-Aug-15 Total £m *restated **	52 weeks to 27-Feb-16 Total £m
Revenue	4	**429.4**	**-**	**429.4**	425.3	-	425.3	866.2
Operating profit	4	**35.5**	**(10.2)**	**25.3**	43.2	(14.8)	28.4	79.2
Finance costs		**(3.9)**	**-**	**(3.9)**	(3.8)	-	(3.8)	(8.1)
Profit before taxation and fair value adjustments to financial instruments		**31.6**	**(10.2)**	**21.4**	39.4	(14.8)	24.6	71.1
Fair value adjustments to financial instruments	7	**(0.3)**	**-**	**(0.3)**	(0.8)	-	(0.8)	1.1
Profit before taxation		**31.3**	**(10.2)**	**21.1**	38.6	(14.8)	23.8	72.2
Taxation	8	**(6.2)**	**2.0**	**(4.2)**	(7.7)	3.0	(4.7)	(17.3)
Profit for the year from continuing operations		**25.1**	**(8.2)**	**16.9**	30.9	(11.8)	19.1	54.9
Loss for the year from discontinued operations	6	**-**	**-**	**-**	(0.2)	-	(0.2)	(0.6)
Profit attributable to equity holders of the parent		**25.1**	**(8.2)**	**16.9**	30.7	(11.8)	18.9	54.3
Adjusted earnings per share from continuing operations	9							
Basic				**8.95 p**			11.16 p	24.02 p
Diluted				**8.95 p**			11.15 p	23.99 p
Earnings per share from continuing operations	9							
Basic				**5.98 p**			6.77 p	19.45 p
Diluted				**5.98 p**			6.76 p	19.43 p
Earnings per share from continuing and discontinued operations	9							
Basic				**5.98 p**			6.70 p	19.23 p
Diluted				**5.98 p**			6.69 p	19.22 p

*** The figures for the period ended 29 August 2015 have been restated. See note 1.**

Unaudited condensed consolidated statement of comprehensive income

	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m *restated **	52 weeks to 27-Feb-16 £m
Profit for the period	**16.9**	18.9	54.3
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	**(10.7)**	5.8	12.5
Tax relating to items not reclassified	**1.9**	(1.1)	(2.5)
	(8.8)	4.7	10.0
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**0.4**	-	0.8
Total comprehensive income for the period attributable to equity holders of the parent	**8.5**	23.6	65.1

*** The figures for the period ended 29 August 2015 have been restated. See note 1.**

Unaudited condensed consolidated balance sheet

	Note	**27-Aug-16 £m**	29-Aug-15 £m restated *	27-Feb-16 £m
Non-current assets				
Intangible assets	10	**130.5**	113.1	124.9
Property, plant & equipment	11	**76.7**	74.7	76.7
Retirement benefit surplus		**0.5**	2.2	10.8
Deferred tax assets		**3.9**	6.6	3.9
		211.6	196.6	216.3
Current assets				
Inventories		**99.0**	89.0	101.5
Trade and other receivables	12	**561.7**	533.1	553.4
Current tax asset		**9.7**	-	5.3
Derivative financial instruments	7	**1.9**	0.3	2.2
Cash and cash equivalents		**48.3**	40.2	45.3
		720.6	662.6	707.7
Total assets		**932.2**	859.2	924.0
Current liabilities				
Bank loans		**-**	(30.0)	-
Trade and other payables		**(116.9)**	(118.2)	(99.7)
Provisions	14	**(7.1)**	-	-
Current tax liability		**-**	(1.4)	-
		(124.0)	(149.6)	(99.7)
Net current assets		**596.6**	513.0	608.0
Non-current liabilities				
Bank loans		**(335.0)**	(250.0)	(335.0)
Provisions	14	**(0.8)**	-	-
Deferred tax liabilities		**(11.5)**	(8.9)	(13.3)
		(347.3)	(258.9)	(348.3)
Total liabilities		**(471.3)**	(408.5)	(448.0)
Net assets		**460.9**	450.7	476.0
Equity				
Share capital		**31.3**	31.3	31.3
Share premium account		**11.0**	11.0	11.0
Own shares		**(0.1)**	(0.2)	(0.2)
Foreign currency translation reserve		**2.2**	1.0	1.8
Retained earnings		**416.5**	407.6	432.1
Total equity		**460.9**	450.7	476.0

*** The figures for the period ended 29 August 2015 have been restated. See note 1.**

Unaudited condensed consolidated cash flow statement

	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m *restated **	52 weeks to 27-Feb-16 £m
Net cash from operating activities	**50.7**	66.4	64.5
Investing activities			
Purchases of property, plant and equipment	**(3.0)**	(8.5)	(12.1)
Purchases of intangible assets	**(16.3)**	(23.1)	(46.1)
Net cash used in investing activities	**(19.3)**	(31.6)	(58.2)
Financing activities			
Interest paid	**(4.3)**	(4.0)	(9.6)
Dividends paid	**(24.2)**	(24.2)	(40.2)
(Decrease)/increase in bank loans	**-**	(7.0)	48.0
Purchase of shares by ESOT	**-**	(0.4)	(0.4)
Proceeds on issue of shares held by ESOT	**0.1**	0.6	0.8
Net cash used in financing activities	**(28.4)**	(35.0)	(1.4)
Net increase/(decrease) in cash and cash equivalents	**3.0**	(0.2)	4.9
Opening cash and cash equivalents	**45.3**	40.4	40.4
Closing cash and cash equivalents	**48.3**	40.2	45.3

Reconciliation of operating profit to net cash from operating activities

	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m *restated **	52 weeks to 27-Feb-16 £m
Operating profit from continuing operations	**25.3**	28.4	79.2
Operating loss from discontinued operations	**-**	(0.2)	(0.7)
Adjustments for:			
Depreciation of property, plant and equipment	**2.7**	3.1	6.0
Loss on disposal of property, plant and equipment	**-**	0.7	0.7
Amortisation of intangible assets	**10.9**	9.1	19.2
Share option charge	**0.5**	1.1	2.2
Operating cash flows before movements in working capital	**39.4**	42.2	106.6
Decrease/(increase) in inventories	**2.5**	5.8	(6.7)
(Increase)/decrease in trade and other receivables	**(7.6)**	16.5	0.9
Increase/(decrease) in trade and other payables	**17.2**	9.2	(12.2)
Increase in provisions	**7.9**	-	-
Pension obligation adjustment	**(0.2)**	0.2	(1.7)
Cash generated by operations	**59.2**	73.9	86.9
Taxation paid	**(8.5)**	(7.5)	(22.4)
Net cash from operating activities	**50.7**	66.4	64.5

*** The figures for the period ended 29 August 2015 have been restated. See note 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 27 August 2016						
Balance at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
Comprehensive income for the period						
Profit for the period	-	-	-	-	16.9	16.9
Other items of comprehensive income for the period	-	-	-	0.4	(8.8)	(8.4)
Total comprehensive income for the period	-	-	-	0.4	8.1	8.5
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(24.2)	(24.2)
Purchase of own shares by ESOT	-	-	-	-	-	-
Issue of own shares by ESOT	-	-	0.1	-	-	0.1
Adjustment to equity for share payments	-	-	-	-	-	-
Share option charge	-	-	-	-	0.5	0.5
Tax on items recognised directly in equity	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	0.1	-	(23.7)	(23.6)
Balance at 27 August 2016	**31.3**	**11.0**	**(0.1)**	**2.2**	**416.5**	**460.9**
Changes in equity for the 26 weeks to 29 August 2015						
Balance at 28 February 2015 as previously reported	31.3	11.0	(0.3)	1.0	453.6	496.6
Effect of amendment to IAS 39	-	-	-	-	(46.6)	(46.6)
Balance at 28 February 2015 as restated (note 1)	31.3	11.0	(0.3)	1.0	407.0	450.0
Comprehensive income for the period						
Profit for the period (restated)	-	-	-	-	18.9	18.9
Other items of comprehensive income for the period	-	-	-	-	4.7	4.7
Total comprehensive income for the period	-	-	-	-	23.6	23.6
Transactions with owners recorded directly in equity						
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
Tax on items recognised directly in equity	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	0.1	-	(23.0)	(22.9)
Balance at 29 August 2015 (restated see note 1)	**31.3**	**11.0**	**(0.2)**	**1.0**	**407.6**	**450.7**
Changes in equity for the 52 weeks to 27 February 2016						
Balance at 28 February 2015 as previously reported	31.3	11.0	(0.3)	1.0	453.6	496.6
Effect of amendment to IAS 39	-	-	-	-	(46.6)	(46.6)
Balance at 28 February 2015 as restated (note 1)	31.3	11.0	(0.3)	1.0	407.0	450.0
Comprehensive income for the period						
Profit for the period	-	-	-	-	54.3	54.3
Other items of comprehensive income for the period	-	-	-	0.8	10.0	10.8
Total comprehensive income for the period	-	-	-	0.8	64.3	65.1
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(40.2)	(40.2)
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	-	-	-	-	0.3	0.3
Share option charge	-	-	-	-	2.2	2.2
Tax on items recognised directly in equity	-	-	-	-	(1.5)	(1.5)
Total contributions by and distributions to owners	-	-	0.1	-	(39.2)	(39.1)
Balance at 27 February 2016	**31.3**	**11.0**	**(0.2)**	**1.8**	**432.1**	**476.0**

Notes to the unaudited condensed consolidated financial statements

1. Basis of preparation

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

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 year ended 27 February 2016. The comparative figures for the financial year ended 27 February 2016, are extracted from, but are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Restatement

During the period ended 27 February 2016, the Group made a change to the technical interpretation of IAS 39, the details of which are set out in the FY16 annual report.
The impact of the adjustment to reflect the revised interpretation of IAS 39 on the 26 week period ending 29 August 2015 is as follows:

Income statement	**As published 29-Aug-15**	**Adjustments**	**As restated 29-Aug-15**
	£m	**£m**	**£m**
Revenue	415.8	9.5	425.3
Operating profit	38.8	4.4	43.2
Other	(19.4)	-	(19.4)
Profit before taxation	**19.4**	**4.4**	**23.8**
Taxation	(3.8)	(0.9)	(4.7)
Profit from continuing operations	**15.6**	**3.5**	**19.1**
Loss from discontinued operations	(0.2)	-	(0.2)
Profit attributable to equity holders of the parent	**15.4**	**3.5**	**18.9**

The impact of the restatement is to increase both basic and diluted earnings per share by 1.24 pence in HY16.

Balance sheet	**As published 29-Aug-15**	**Adjustments**	**As restated 29-Aug-15**
	£m	**£m**	**£m**
Trade and other receivables	589.1	(56.0)	533.1
Deferred tax asset	2.6	4.0	6.6
Other	319.5	-	319.5
Total assets	**911.2**	**(52.0)**	**859.2**
Current tax liability	(10.3)	8.9	(1.4)
Other	(407.1)	-	(407.1)
Total liabilities	**(417.4)**	**8.9**	**(408.5)**
Net assets	**493.8**	**(43.1)**	**450.7**
Other	43.1	-	43.1
Retained earnings	450.7	(43.1)	407.6
Total equity	**493.8**	**(43.1)**	**450.7**

Notes to the unaudited condensed consolidated financial statements

2. Key risks and uncertainties

There are a number of potential risks and uncertainties which could have an impact on the group's long-term performance over the next 12 months. The directors routinely monitor all risks and uncertainties taking appropriate actions to mitigate where necessary. The key risks which have been identified as potentially having a material impact on the performance of the group are as follows: business change/transformation unsuccessful; cybersecurity; regulatory environment; taxation and credit risk management.

A key risk facing the business is the successful delivery of the group's transformation project, Fit 4 for the Future. The learnings from the slightly delayed launch of our new USA site have been reviewed and the launch of the first Power Brand has now moved to Q3 FY18.

Business continuity plans are in place and the group has further migrated IT systems and data security risk within the business through outsourcing IT services to a specialist IT service provider.

The group continues to review and develop its compliance with the CCA and submitted its application to the FCA for full authorisation in September 2015. The group obtained full authorisation in September 2016. The group has included on its balance sheet, a provision for costs expected to be incurred in respect of payments for historic financial services customer redress, which represents the best estimate of the known regulatory obligations, taking into account factors including risk and uncertainty.

The group continues to have a number of open taxation positions and the calculation of the group's potential taxation liabilities or assets necessarily involves a significant degree of estimation and judgment until resolution has been resolved with HMRC or through recourse to litigation.

Provision is made for those items of inventory where the net realisable value is estimated to be lower than costs. Net realisable value is based on both historical experience and assumptions regarding future selling values and disposal channels, and is consequently a source of estimation uncertainty.

Finally, credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the group. Whilst, all customers who wish to trade on credit terms are subject to credit verification procedures and the group's customer loan book continues to be tightly managed, there remains an inherent risk of bad debt write offs dependant of the ongoing profile of our customer base and new customer recruitment activities.

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 preliminary results. Conservative assumptions for working capital performance have been used to determine the level of financial resources available to the group 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 group has adequate resources to continue in operational existence. Accordingly, they continue to adopt the going concern basis in the preparation of the interim financial statements.

Notes to the unaudited condensed consolidated financial statements

4. Business segments	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m *restated **	52 weeks to 27-Feb-16 £m
Analysis of revenue - Home shopping			
Product	**300.9**	299.2	606.6
Financial services	**128.5**	126.1	259.6
	429.4	425.3	866.2
Analysis of cost of sales - Home shopping			
Product	**(132.8)**	(126.3)	(265.7)
Financial services	**(57.8)**	(55.1)	(117.9)
	(190.6)	(181.4)	(383.6)
Gross profit	**238.8**	243.9	482.6
Gross margin - Product	**55.9%**	57.8%	56.2%
Gross margin - Financial Services	**55.0%**	56.3%	54.6%
Warehouse & fulfilment	**(38.2)**	(38.4)	(76.7)
Marketing & production	**(87.5)**	(86.0)	(161.7)
Depreciation & amortisation	**(13.6)**	(12.2)	(25.2)
Other admin & payroll	**(64.0)**	(64.1)	(122.6)
Exceptional items (see note 5)	**(10.2)**	(14.8)	(17.2)
Segment result & operating profit - Home shopping	**25.3**	28.4	79.2
Investment income	**-**	-	-
Finance costs	**(3.9)**	(3.8)	(8.1)
Fair value adjustments to financial instruments	**(0.3)**	(0.8)	1.1
Profit before taxation	**21.1**	23.8	72.2

*** The figures for the period ended 29 August 2015 have been restated. See note 1.**

4. Business segments (continued)

The group has one reportable segment in accordance with IFRS8 - Operating Segments which is the Home Shopping segment.

The group's board receives monthly financial information at this level and uses this information to monitor the performance of the Home Shopping segment, allocate resources and make operational decisions. Internal reporting focuses on the group as a whole and does not identify individual segments. To increase transparency, the group has decided to include an additional voluntary disclosure analysing product revenue within the reportable segment, by brand categorisation and product type categorisation.

	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m *restated**	52 weeks to 27-Feb-16 £m
Analysis of product revenue by brand			
JD Williams	**75.8**	75.6	151.2
Simply Be	**53.3**	50.2	103.9
Jacamo	**31.4**	30.4	62.8
Power brands	**160.5**	156.2	317.9
Traditional segment	**65.2**	68.1	136.0
Secondary brands	**75.2**	74.9	152.7
Total product revenue - Home shopping	**300.9**	299.2	606.6
Analysis of product revenue by category			
Ladieswear	**134.3**	134.6	250.8
Menswear	**42.4**	40.6	82.0
Footwear	**30.8**	33.2	63.8
Home & gift	**93.4**	90.8	210.0
Total product revenue - Home shopping	**300.9**	299.2	606.6

**The figures for the period ended 29 August 2015 have been restated. See note 1.*

The group has one significant geographical segment, which is the United Kingdom.
Revenue derived from international markets amounted to £17.2m (H1 FY16, £15.0m) and they incurred operating profits of £0.5m (losses H1 FY16, £0.4m). All segment assets are located in the UK, Ireland and US.

5. Exceptional items

	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m	52 weeks to 27-Feb-16 £m
Strategy costs	**-**	5.3	7.6
External costs related to taxation matters	**1.2**	0.6	1.6
Clearance store closure costs	**-**	8.9	8.0
Financial services customer redress	**9.0**	-	-
	10.2	14.8	17.2

An exceptional charge of £9.0m was recognised during the period (H1 FY16, £nil) reflecting costs incurred or expected to be incurred in respect of payments for historic financial services customer redress.

Strategy costs incurred in FY16 related to group re-organisation costs and outsourcing of IT maintenance.

External costs related to taxation matters in H1 FY17 and FY16 are legal and professional fees related to ongoing disputes with HMRC.

In H1 FY16 we closed our retail clearance stores, in line with our strategy to become digital first. The exceptional costs in FY16 related 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 results of the discontinued operation, which have been included in the consolidated income and cashflow statement, were as follows:

	26 weeks to 27-Aug-16 £m	26 weeks to 29-Aug-15 £m	52 weeks to 27-Feb-16 £m
Revenue	**-**	4.1	4.3
Expenses	**-**	(4.3)	(5.0)
Loss before tax	**-**	(0.2)	(0.7)
Attributable tax credit	**-**	-	0.1
Net loss attributable to discontinued operations	**-**	(0.2)	(0.6)

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 27-Aug-16 £m	26 weeks to 29-Aug-15 £m	52 weeks to 27-Feb-16 £m
Notional Amount - Sterling contract value	**45.5**	30.9	21.5
Fair value of asset recognised	**1.9**	0.3	2.2

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £0.3m (H1 FY16, £0.8m) 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 FY16, 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 FY16, same).

Notes to the unaudited condensed consolidated financial statements

8. Taxation

The taxation charge for the 26 weeks ended 27 August 2016 is based on the estimated effective tax rate for the full year of 20.0% (H1 FY16, 20%).

The group has on-going discussions with HMRC in respect of open taxation positions. The calculation of the Group's potential liabilities or assets in respect of these 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. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from the Group's best estimation and judgement and, where appropriate, legal counsel's opinion has been sought. However the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Note 12 "Other debtors and prepayments" includes a net VAT debtor, comprising the VAT liability which arises from the day to day trading together with amounts in relation to matters which are in dispute with HMRC. The Group continues to be 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 not possible to determine how the matter will be resolved. However within our period end VAT debtor is an asset of £28.7m (FY16 £21.7m) which has arisen as a result of cash payments made under protective assessments raised by HMRC. Based on legal counsel's opinion, we believe that we will recover this amount in full from HMRC and we are engaged in a legal process to do so.

Notes to the unaudited condensed consolidated financial statements

9. Earnings per share

Earnings	**26 weeks to 27-Aug-16 £m**	26 weeks to 29-Aug-15 £m *restated**	52 weeks to 27-Feb-16 £m
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**16.9**	18.9	54.3
Adjustments to exclude loss for the period from discontinued operations	**-**	0.2	0.6
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share excluding discontinued operations	**16.9**	19.1	54.9
Fair value adjustment to financial instruments (net of tax)	**0.2**	0.6	(0.9)
Exceptional items (net of tax)	**8.2**	11.8	13.8
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted adjusted earnings per share excluding discontinued operations	**25.3**	31.5	67.8

Number of shares	**26 weeks to 27-Aug-16 No. ('000s)**	26 weeks to 29-Aug-15 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	**282,613**	282,177	282,316
Effect of dilutive potential ordinary shares:			
Share options	**101**	298	245
Weighted average number of shares in issue for the purpose of diluted earnings per share	**282,714**	282,475	282,561

Earnings per share from continuing and discontinued operations						
Basic	**5.98**	**p**	6.70	p	19.23	p
Diluted	**5.98**	**p**	6.69	p	19.22	p
Earnings per share from continuing operations						
Basic	**5.98**	**p**	6.77	p	19.45	p
Diluted	**5.98**	**p**	6.76	p	19.43	p
Adjusted earnings per share from continuing operations						
Basic	**8.95**	**p**	11.16	p	24.02	p
Diluted	**8.95**	**p**	11.15	p	23.99	p
Earnings per share from discontinued operations						
Basic	-	**p**	(0.07)	p	(0.22)	p
Diluted	-	**p**	(0.07)	p	(0.21)	p

Notes to the unaudited condensed consolidated financial statements

10. Intangible assets

	Brands £m	Software £m	Customer database £m	Total £m
Cost				
At 28 February 2015	16.9	210.9	1.9	229.7
Additions	-	23.9	-	23.9
At 29 August 2015	16.9	234.8	1.9	253.6
Additions	-	21.9	-	21.9
At 27 February 2016	16.9	256.7	1.9	275.5
Additions	-	16.5	-	16.5
At 27 August 2016	**16.9**	**273.2**	**1.9**	**292.0**
Amortisation				
At 28 February 2015	8.0	121.5	1.9	131.4
Charge for the period	-	9.1	-	9.1
At 29 August 2015	8.0	130.6	1.9	140.5
Charge for the period	-	10.1	-	10.1
At 27 February 2016	8.0	140.7	1.9	150.6
Charge for the period	-	10.9	-	10.9
At 27 August 2016	**8.0**	**151.6**	**1.9**	**161.5**
Carrying amounts				
At 27 August 2016	**8.9**	**121.6**	**-**	**130.5**
At 27 February 2016	8.9	116.0	-	124.9
At 29 August 2015	8.9	104.2	-	113.1

Assets in the course of construction included in intangible assets at H1 FY17 total £69.3m (H1 FY16, £52.6m), of which £65.7m relates to the Fit for the Future project (H1 FY16, £43.9m). No amortisation is charged on these assets until they come into commercial use.

11. Property, plant and equipment

Additions to tangible fixed assets during the period of £2.7m (H1 FY16, £8.0m) primarily relate to warehousing. Depreciation of £2.7m (H1 FY16, £3.1m) was charged during the period.

Assets in the course of construction included in fixtures and equipment at H1 FY17 total £0.9m (H1 FY16, £1.2m), and in land and buildings total £21.5m (H1 FY16, £15.3m). No depreciation is charged on these assets until they come into commercial use.

Notes to the unaudited condensed consolidated financial statements

12. Trade and other receivables

	27-Aug-16	29-Aug-15	27-Feb-16
	£m	£m	£m
		*restated **	
Amount receivable for the sale of goods and services	**601.8**	606.8	624.7
Allowance for doubtful debts	**(76.4)**	(94.2)	(97.6)
	525.4	512.6	527.1
Other debtors and prepayments	**36.3**	20.5	26.3
	561.7	533.1	553.4

Movement in the allowance for doubtful debts

Balance at the beginning of the period	**97.6**	100.9	100.9
Amounts charged to the income statement	**55.1**	51.4	110.3
Amounts written off	**(76.3)**	(58.1)	(113.6)
Balance at the end of the period	**76.4**	94.2	97.6

*** The figures for the period ended 29 August 2015 have been restated. See note 1.**

Notes to the unaudited condensed consolidated financial statements

13. Dividends

The directors have declared and approved an interim dividend of 5.67 pence per share (H1 FY16 5.67p).
This will be paid on 13 January 2017 to shareholders on the register at the close of business on 16 December 2016.

During H1 FY17 dividends of £24.2m relating to FY16 were paid.

14. Provisions

The provisions relate to the Group's liabilities in respect of costs expected to be incurred in respect of payments for historic financial services customer redress, which represents the best estimate of the known regulatory obligations, taking into account factors including risk and uncertainty.

As at H1 FY17 the Group holds a provision of £7.9m (H1 FY16, £nil) in respect of the anticipated costs of historic financial services customer redress. This includes a provision of £0.7m in relation to administration expenses. There are still a number of uncertainties as to the eventual customer redress costs, in particular the total number of claims and the cost per claim, however the Directors believe that the amounts provided at the half year end, based on historical and forecasted claim rates and amounts, along with known legal and regulatory obligations, appropriately reflect the cost to the Group.

The principal sensitivities in the customer redress calculation are: volumes of policies affected, claim rate, uphold rate and average redress amount.

	26 weeks to 27-Aug-16 £m
+/- 10% in claims volumes	+/- 0.4
+/- 5% in uphold rate	+/- 0.3
+/- 10% in average redress amount	+/- 0.4

Responsibility statement of the directors in respect of the half-yearly financial report

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.

This report was approved by the Board of Directors on 11 October 2016.

Angela Spindler
Chief Executive

Craig Lovelace
Chief Financial Officer

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 27 August 2016 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 27 August 2016 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

Stuart Burdass
for and behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
11 October 2016