

N Brown Group plc

11 October 2005

N Brown Group plc

INTERIM RESULTS ANNOUNCEMENT SIX MONTHS ENDED 27 AUGUST 2005

N Brown Group plc, the Manchester based direct home shopping group, today announces its Interim results for the 26 weeks to 27 August 2005.

Highlights:

- Group profit before tax* up 45.1% to £23.5m (H1 2004: £16.2m)
- Group turnover* improved by 8.6% to £237.3m (H1 2004: £218.6m)
- Core home shopping business increases operating profit by 23.3% to £29.6m (H1 2004 £24.0m) on turnover up 9.4% to £225.6m (H1 2004 £206.3m)
- Clothing and footwear product ranges improve sales by 9%
- Internet sales up 55% to £33m, representing 14% of turnover (H1 2004 internet sales 9.6% of turnover)
- Dividend per share increased by 4.6% to 1.82p
- Earnings per share* up 44.6% to 5.71p
- Current trading for the 6 weeks to 8 October shows group sales growth of 6.6%, with core home shopping sales up 7.4%

*from continuing operations

Alan White, Chief Executive, said:

“This is an encouraging set of results in the current retail environment and we are particularly pleased with the growth across all our core home shopping customer and product segments. We have made good progress rationalising our business to focus on our home shopping catalogues and integrating the House of Bath business acquired at the end of last year. We also continue to exploit opportunities to grow the business through our multi-channel approach, with the internet continuing to be a good source of revenue growth.”

Lord Alliance CBE, Chairman, added:

“The Group has demonstrated resilience in challenging markets and following the work done over the past year or so to dispose of non-core activities, we now have a stronger, leaner financial and operational structure which provides an excellent base from which to take the business forward. Whilst we have had a good first half and a solid start to the second half, the wider retail market is depressed. We are therefore cautiously optimistic over the outlook for the full year.”

-Ends-

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CHAIRMANS STATEMENT – INTERIM RESULTS

These results show a continuation of the positive trends evident in last years results. On an International Financial Reporting Standards (IFRS) basis group sales from continuing operations are up by 8.6% to £237.3m and pre-tax profits are up by 45.1% at £23.5m. Most importantly the core home shopping division has seen further strong growth with sales up by 9.4% to £225.6m and operating profits up by 23.3% to £29.6m. On an underlying basis under indicative UK GAAP as at 26 February 2005 the group pre-tax profits from continuing operations are up by 14.9% to £23.9m, including a 7.9% increase in core home shopping operating profit to £30.2m.

In addition we have made good progress in rationalising our other businesses so that we are now totally focused on home shopping activities. The proceeds from disposals have helped to reduce net debt by £11.8m to £114.4m, improving gearing from 58% to 49%.

Earnings per share from continuing operations are up 44.6% to 5.71p and the board is proposing a 4.6% increase in the interim dividend to 1.82p. This will be paid on 6 January 2006 to shareholders on the register at 9 December 2005.

IFRS Impact

The interim results have been prepared under the new IFRS and prior year figures have been restated. The adoption of IFRS has reduced group pre-tax profit from continuing operations of the current period by £0.4m from the result calculated under indicative UK GAAP as at 26 February 2005, but the impact on the same period in 2004 was to reduce pre-tax profit by £4.6m, primarily due to the change in accounting for marketing costs.

Core Home Shopping

The core home shopping division has seen turnover rise by 9.4% to £225.6m. Excluding sales from the House of Bath, acquired in November 2004, turnover is up by 4.9% to £216.5m. This result was delivered against the backdrop of the widely reported consumer downturn elsewhere in the retail sector. The increase in sales has been driven by a clear focus on our target customer groups and improvements in all key product ranges.

Sales increased in all of our customer groups. The midlife titles targeted at customers in the 45-65 age group, which now includes House of Bath, saw sales rise by 9% from £143m to £157m, whilst the catalogue titles targeting customers aged over 65 increased sales by over 6% to £12m, driven by a strong performance from the Special Collection customer file. The strongest growth was achieved by the younger catalogue titles targeted at customers under 45, with a sales increase of 10% to £57m. Simply Be continued to exploit its niche of fashion and footwear for the larger woman in the 30-40 age category, resulting in a 32% increase in sales for the period.

Our sources of customer recruitment continue to become more varied. In addition to the more traditional press advertisements and brochures inserted in newspapers and magazines we are also making good use of direct mail and internet search engine recruitment. The result has been an increase in sales from new customers by 7%. The balance is from established customers where the average spend per customer rose by 4%.

The sales growth was spread across all product groups. The ladieswear ranges were well received, posting an 8% increase in sales to £125m, with the younger fashion ranges and occasionwear doing particularly well. Footwear sales continued the strong trend of recent years with a 15% increase, and menswear was ahead by over 13%. Home and leisure sales were up by 10%, although most of this increase was due to the inclusion of House of Bath. Part of the overall sales increase is due to the concerted efforts to improve product specifications resulting in a 1% decrease in the rate of returns.

We have improved both the quality and frequency of our customer contacts. The main catalogue sales were 10% up on the previous year and mid-season mailings of publications, such as NewNow, Classic Detail and Summer Value saw a significant rise in turnover.

Our on-line activity continues to grow with sales up another 55% to £33m. This increase is due to both a higher proportion of customers choosing to key their orders in, instead of using post or telephone, and our targeted email campaigns promoting special offers. The creation of specialist websites, such as VivalaDiva.com and Petfoodnstuff.com show our ability to add range extensions for a modest level of investment and with a broader customer appeal.

The early results from our television shopping joint venture with Northern & Shell, the Express Shopping Channel, indicated that customer acquisition would be slower than we had anticipated, requiring a heavy investment over the medium term. Consequently the channel stopped broadcasting from early October and the assets are being sold. This will result in an estimated loss on disposal of £1m in the second half.

The gross margin on sales in core home shopping rose by 0.8% to 57.3%, due to the higher proportion of clothing in the sales mix coupled with a further reduction in bad debts. Overheads increased by 11.7%, reflecting the marketing investment made to drive the sales and customer acquisition, higher distribution costs and the running costs of House of Bath. The cost savings identified last year have been reinvested to reinvigorate the business.

Door to Door Selling

We have undertaken a major restructuring of House of Stirling, our door to door selling business. The worst performing elements of the debtor book were sold to a third party debt collector for £1.75m. The remaining debtors have been reorganised into a reduced number of sales territories, and as a consequence the headcount for the business has decreased by 140. The net result in the first half are sales of £8.5m, down 7.6%, with the operating loss reduced from £4.2m to £1.6m.

Fulfilment Services

Zendor's sales of £3.2m and an operating loss of £0.1m were at similar levels to last year. The shift in focus last year from interactive services to the core business of fulfilment has proved successful with a 56% increase in revenue in this area. Activity will continue to focus on providing end-to-end fulfilment services to high street retailers looking to move into multi-channel retailing, with the latest major signing, JJB Sport, being successfully launched online in September this year.

Discontinued Activities

In May 2005 we sold Televue, our television rental operation, for £6.2m. The operating loss during the period prior to disposal was £0.1m with a loss on disposal of £1.2m.

In June 2005 we sold our personal loans portfolio for £9.95m, and during September 2005 we disposed of our retail credit portfolio for £6.2m. These combined activities made an operating loss of £0.9m during the period, but the disposal proceeds exceeded our expectation allowing £1.1m of the £3m impairment provision taken at the year end to be released.

Prospects and Outlook

The encouraging trends seen in the first half have continued into the second half. During the six weeks to 8 October 2005 core home shopping sales are up by 7.4%, or up by 5.0% excluding House of Bath's contribution. The strong trading performance during September includes the launch of some new publications and the release of our Home & Christmas Gift catalogue one month earlier than last year.

The most positive results continue to come from our ladies clothing and footwear ranges. Group sales from continuing activities are up by 6.6%.

We are mindful of the depressed state of trading elsewhere in the retail sector and the busiest months of the year are still ahead of us. However the group is now wholly focused on home shopping activities and we expect the concentration on targeted marketing of our core product propositions to continue to drive our business performance.

Lord Alliance, CBE
11 October 2005

UNAUDITED CONSOLIDATED INCOME STATEMENT

	26 weeks to 27-Aug-05 £m	26 weeks to 28-Aug-04 £m <i>Restated</i>	52 weeks to 26-Feb-05 £m <i>Restated</i>
Revenue - continuing operations	237.3	218.6	447.9
Operating profit			
Existing operations	27.9	19.7	27.6
Share of joint venture operating loss	(1.0)	-	(1.9)
Operating profit - continuing operations	26.9	19.7	25.7
Investment income	1.5	1.8	2.9
Finance costs	(5.8)	(5.3)	(10.2)
Fair value adjustments to financial instruments	0.9	-	-
Profit before taxation	23.5	16.2	18.4
Taxation	(6.7)	(4.6)	(3.4)
Profit for the period from continuing operations	16.8	11.6	15.0
(Loss)/profit for the period from discontinued operations	(0.9)	0.1	(3.1)
Profit attributable to equity holders of the parent	15.9	11.7	11.9
Earnings per share from continuing operations			
Basic	5.71 p	3.95 p	5.10 p
Diluted	5.69 p	3.94 p	5.09 p
Earnings per share from continuing and discontinued operations			
Basic	5.40 p	3.98 p	4.05 p
Diluted	5.38 p	3.97 p	4.04 p

UNAUDITED CONSOLIDATED BALANCE SHEET

	27-Aug-05 £m	28-Aug-04 £m <i>Restated</i>	26-Feb-05 £m <i>Restated</i>
Non-current assets			
Intangible assets	20.0	19.4	19.7
Property plant & equipment	54.8	53.6	53.6
Other investments	-	-	0.1
Deferred tax assets	9.3	7.1	8.9
	84.1	80.1	82.3
Current assets			
Inventories	47.6	43.8	44.7
Trade and other receivables	321.4	324.3	310.2
Cash and cash equivalents	30.1	33.4	44.5
	399.1	401.5	399.4
Non-current assets classified as held for sale	5.8	30.8	23.1
Total assets	489.0	512.4	504.8
Current liabilities			
Bank overdrafts	(0.1)	-	(0.1)
Obligations under finance leases	(0.6)	(0.6)	(0.6)
Trade and other payables	(66.7)	(62.8)	(65.6)
Other financial liabilities	(0.1)	-	(1.0)
Current tax liability	(11.4)	(13.4)	(5.6)
	(78.9)	(76.8)	(72.9)
Net current assets	320.2	324.7	326.5
Non-current liabilities			
Bank loans	(143.8)	(170.0)	(170.0)
Obligations under finance leases	-	(0.6)	-
Retirement benefit obligation	(29.9)	(23.4)	(28.3)
Deferred tax liabilities	(2.9)	(3.0)	(2.9)
	(176.6)	(197.0)	(201.2)
Liabilities directly associated with non-current assets classified as held for sale	-	(0.5)	(0.6)
Total liabilities	(255.5)	(274.3)	(274.7)
Net assets	233.5	238.1	230.1
Equity			
Share capital	29.5	29.5	29.5
Share premium account	9.2	9.1	9.2
Own shares	(1.4)	(1.7)	(1.5)
Foreign currency translation reserve	0.1	-	0.2
Retained earnings	196.1	201.2	192.7
Total equity	233.5	238.1	230.1

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	26 weeks to 27-Aug-05 £m	26 weeks to 28-Aug-04 £m <i>Restated</i>	52 weeks to 26-Feb-05 £m <i>Restated</i>
Net cash inflow from operating activities	28.3	24.9	52.8
Cash flows from investing activities			
Purchases of property, plant and equipment	(3.3)	(3.0)	(5.8)
Proceeds on disposal of property, plant and equipment	-	4.7	4.9
Purchases of intangible fixed assets	(3.0)	(2.2)	(5.1)
Loan advanced to joint venture	-	-	(2.0)
Disposal of subsidiary	5.3	-	-
Net cash flows from investing activities	(1.0)	(0.5)	(8.0)
Cash flows from financing activities			
Interest paid	(4.2)	(5.7)	(10.0)
Interest received	0.8	1.1	1.6
Dividends paid	(12.1)	(12.0)	(17.1)
Repayment of bank loans	(26.2)	-	-
Repayment of obligations under finance leases	-	-	(0.6)
Proceeds on issue of share capital	-	-	0.1
Decrease in bank overdrafts	-	(1.2)	(1.1)
Net cash flows from financing activities	(41.7)	(17.8)	(27.1)
Net (decrease)/increase in cash and cash equivalents	(14.4)	6.6	17.7
Opening cash and cash equivalents	44.5	26.8	26.8
Closing cash and cash equivalents	30.1	33.4	44.5

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Cash flows from operating activities			
Operating profit	27.9	19.7	27.6
Operating profit/(loss) from discontinued operations	0.1	1.2	(2.5)
Depreciation	2.3	3.0	5.6
(Profit)/loss on disposal of property, plant and equipment	-	(0.1)	0.3
Amortisation of intangible fixed assets	2.8	2.7	5.3
Share option charge	0.4	0.3	0.7
Operating cashflows before changes in working capital	33.5	26.8	37.0
(Increase)/decrease in inventories	(2.9)	2.5	1.6
(Increase)/decrease in trade and other receivables	(1.4)	0.8	21.3
(Decrease)/increase in trade and other payables	(0.1)	4.2	7.7
Pension obligation adjustment	(0.2)	(0.2)	(0.3)
Cash generated from operations	28.9	34.1	67.3
Taxation paid	(0.6)	(9.2)	(14.5)
Net cash inflow from operating activities	28.3	24.9	52.8

UNAUDITED GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	26 weeks to 27-Aug-05 £m	26 weeks to 28-Aug-04 £m <i>Restated</i>	52 weeks to 26-Feb-05 £m <i>Restated</i>
Equity at the beginning of the period	230.1	237.4	237.4
Profit for the period	15.9	11.7	11.9
Exchange differences on translation of foreign operations	(0.1)	-	0.2
Actuarial (losses)/gains on defined benefit pension schemes	(1.0)	1.0	(3.5)
Tax on items recognised directly in equity	0.3	(0.3)	1.1
Total recognised income and expense for the period	15.1	12.4	9.7
Equity dividends declared	(12.1)	(12.0)	(17.1)
Issue of ordinary share capital	-	-	0.1
Share option charge	0.4	0.3	0.7
Opening balance sheet adjustment for adoption of IAS 39	-	-	(0.7)
Net change recognised directly in equity	(11.7)	(11.7)	(17.0)
Total movements	3.4	0.7	(7.3)
Equity at end of the period	233.5	238.1	230.1

NOTES TO THE FINANCIAL STATEMENTS

General information

The financial statements for 26 weeks ended 27 August 2005 do not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985 and have not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies.

The financial information in respect of the 52 week period ended 26 February 2005 has been produced using extracts from the statutory accounts under UK GAAP for this period and amended by adjustments arising from the implementation of International Financial Reporting Standards (IFRS). The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Sections 237 (2) or (3) of the Companies Act 1985 which deal respectively with the maintaining of proper accounting books and records and the availability of information to the auditors.

The financial information presented has been prepared based on the adoption of IFRS, including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, as interpreted by any regulatory bodies relevant to the group. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to change. As a result the accounting policies used to prepare the interim financial report will need to be updated for any subsequent amendment to IFRS required for first time adoption, or any new standards that the group may elect to adopt early.

The interim report was approved by the directors on 10 October 2005. This announcement is being sent to shareholders and will be made available at the company's registered office at Griffin House, 40 Lever Street, Manchester M60 6ES. Copies of this report will also be made available on the company's website at www.nbrown.co.uk

1. Basis of preparation

The group's interim results for the 26 weeks ended 27 August 2005 have been prepared in accordance with International Financial Reporting Standards ('IFRS') for the first time. Consequently, a number of accounting policies adopted in the preparation of these statements are different to those adopted in the financial statements for the 52 weeks ended 26 February 2005 which were prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP').

The group's first annual report under IFRS will be for the 52 weeks ended 25 February 2006. The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of the group.

The financial information in this document has been prepared in accordance with IFRS and the accounting policies set out in note 3 below.

In accordance with IFRS 1 '*First Time Adoption of International Financial Reporting Standards*', the group has elected not to restate comparative information for the impact of IAS 32 and IAS 39 *Financial Instruments* for the 52 week period ending 26 February 2005. For the group's interim results for the 26 weeks ended 27 August 2005, the opening balance sheet at 26 February 2005 has been adjusted in accordance with the requirements of these standards.

Transitional arrangements (IFRS 1)

The rules for first time adoption of IFRS are set out in IFRS 1 '*First-Time Adoption of International Financial Reporting Standards*'. In general a company is required to define its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows a number of optional exemptions to this general principle to assist companies as they make the transition to reporting under IFRS.

The group has made the following elections under the IFRS 1 provisions for optional exemptions:

1. The group has elected not to account under IFRS 3 for business combinations made prior to 28 February 2004.
2. The group has elected not to measure items of property, plant and equipment at fair value at the date of transition to IFRS but will use UK GAAP net book values at that date.
3. The group has elected to recognise in full all actuarial gains and losses related to liabilities under any employee benefit arrangement (IAS 19) in opening equity under IFRS. In future, actuarial gains and losses will be recognised in the Statement of Recognised Income and Expense.
4. The group will only apply the provisions of IFRS 2 'Share Based Payments' to equity instruments issued after 7 November 2002.
5. The group will take up the exemption related to financial instruments (IAS 32 and IAS 39) that allows it not to present comparative information in compliance with those standards (but will continue to comply with UK GAAP in this respect) for instruments in place during the 52 weeks ended 26 February 2005. The group will comply fully with IAS 32 and IAS 39 from 27 February 2005.

2. Explanation of transition to IFRS

This note sets out details of the changes in accounting policies arising from the adoption of IFRS, together with restated financial information for the opening balance sheet at 28 February 2004 and 26 February 2005, the 26 weeks ended 28 August 2004 and the 52 weeks ended 26 February 2005.

Share based payments - IFRS2

The charge recognised in the income statement for share-based payments is based on the fair value of the option or award at date of grant, which is expensed over the vesting period of the option or award. Fair value is measured by use of the Black-Scholes Model.

Business combinations – IFRS 3

The basis of accounting for pre-transition combinations under UK GAAP has not been revisited. The initial carrying amount of assets and liabilities acquired in such business combinations is deemed to be equivalent to cost.

Non-current assets held for sale – IFRS5

Non-current assets held for sale are presented separately from other non-current assets under IFRS.

Dividends - IAS10

Dividends proposed will be disclosed as a 'Non-adjusting Event after the Balance Sheet Date' under IAS 10. Under IFRS dividends are not recognised as liabilities (IAS 37) until they are appropriately

approved and are no longer at the discretion of the directors. Accordingly proposed dividends under UK GAAP have been removed from the IFRS accounts.

Employee benefits - IAS 19

IAS 19 requires that pension scheme charges be recognised separately in the income statement with current service costs charged to operating profit and net financing costs charged to interest costs. The group has elected to recognise actuarial gains and losses in the statement of recognised income and expense.

Pension scheme deficits are recognised in the group balance sheet, gross of the related deferred tax asset.

IAS 19 also requires holiday pay to be accrued for when the corresponding services have been received from employees.

Catalogue costs - IAS38

Catalogue costs under IFRS are expensed as incurred. Under UK GAAP these costs were spread over the life of a catalogue in order to match against revenue.

Intangible assets - IAS 38

Computer software development costs that generate economic benefits beyond one year are now recognised separately as an intangible fixed asset. These were previously classified as property, plant and equipment under UK GAAP.

Intangible assets also comprise a brand name and customer database arising on acquisition during the 52 weeks ended 26 February 2005, which has been re-assessed under the transitional guidelines of IFRS 3.

Financial instruments – IAS 32 and 39

The group adopted IAS 32 and 39 on 27 February 2005 as permitted under the exemptions of IFRS 1. The impact was limited to the recognition of fair value movements in forward contracts and embedded derivatives on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Profits and losses on financial instruments are recognised in the income statement as they arise.

Cumulative translation differences

Under IFRS, exchange rate differences arising on consolidation on the translation of overseas subsidiaries are required to be recognised as a separate equity reserve.

RECONCILIATION OF NET ASSETS AT 28 FEBRUARY 2004

	UK GAAP £m	Dividends IAS10 £m	Employee Benefits IAS 19 £m	Catalogue Costs IAS 38 £m	Reclass- ifications £m	Effect of transition to IFRS £m	Restated under IFRS £m
Non-current assets							
Intangible assets - Other	-				19.9	19.9	19.9
Property plant & equipment	83.0				(19.9)	(19.9)	63.1
Other investments	-					-	-
Deferred tax assets	-		7.3			7.3	7.3
	<u>83.0</u>					<u>7.3</u>	<u>90.3</u>
Current assets							
Inventories	46.4					-	46.4
Trade and other receivables	354.1			(2.6)		(2.6)	351.5
Cash and cash equivalents	26.8					-	26.8
	<u>427.3</u>					<u>(2.6)</u>	<u>424.7</u>
Total assets	<u>510.3</u>					<u>4.7</u>	<u>515.0</u>
Current liabilities							
Bank overdrafts	(1.2)					-	(1.2)
Obligations under finance leases	(0.6)					-	(0.6)
Trade and other payables	(72.0)	12.0	(0.4)			11.6	(60.4)
Current tax liability	(16.6)					-	(16.6)
	<u>(90.4)</u>					<u>11.6</u>	<u>(78.8)</u>
Net current assets	<u>336.9</u>					<u>9.0</u>	<u>345.9</u>
Non-current liabilities							
Bank loans	(170.0)					-	(170.0)
Obligations under finance leases	(0.6)					-	(0.6)
Retirement benefit obligation	-		(24.0)			(24.0)	(24.0)
Deferred tax liabilities	(5.0)			0.8		0.8	(4.2)
	<u>(175.6)</u>					<u>(23.2)</u>	<u>(198.8)</u>
Total liabilities	<u>(266.0)</u>					<u>(11.6)</u>	<u>(277.6)</u>
Net assets	<u>244.3</u>	12.0	(17.1)	(1.8)	-	<u>(6.9)</u>	<u>237.4</u>
Equity							
Share capital	29.5					-	29.5
Share premium account	9.1					-	9.1
Own shares	(2.3)					-	(2.3)
Retained earnings	208.0	12.0	(17.1)	(1.8)		(6.9)	201.1
Total equity	<u>244.3</u>	12.0	(17.1)	(1.8)	-	<u>(6.9)</u>	<u>237.4</u>

**RECONCILIATION OF GROUP INCOME STATEMENT
FOR THE 26 WEEKS ENDED 28 AUGUST 2004**

	UK GAAP £m	Employee Benefits IAS 19 £m	Catalogue Costs IAS 38 £m	Discontinued activities IFRS5 £m	Effect of transition to IFRS £m	Restated under IFRS £m
Revenue	<u>225.6</u>			(7.0)	<u>(7.0)</u>	<u>218.6</u>
Operating profit	24.9	0.2	(4.2)	(1.2)	(5.2)	19.7
Share of joint venture operating loss	-				-	-
Profit from operations	24.9				(5.2)	19.7
Finance costs (net)	<u>(3.9)</u>	(0.6)		1.0	0.4	<u>(3.5)</u>
Profit before taxation	21.0				(4.8)	16.2
Taxation	<u>(6.0)</u>	0.1	1.2	0.1	1.4	<u>(4.6)</u>
Profit from continuing operations	15.0				(3.4)	11.6
Profit from discontinued operations	-			0.1	0.1	0.1
Profit for the period	<u>15.0</u>	<u>(0.3)</u>	<u>(3.0)</u>	-	<u>(3.3)</u>	<u>11.7</u>
Earnings per share from continuing and discontinued operations						
Basic	5.12p					3.98p
Diluted	5.11p					3.97p

**RECONCILIATION OF NET ASSETS
AT 28 AUGUST 2004**

	UK GAAP £m	Non - current assets IFRS5 £m	Dividends IAS 10 £m	Employee Benefits IAS 19 £m	Catalogue Costs IAS 38 £m	Reclass- ifications £m	Effect of transition to IFRS £m	Restated under IFRS £m
Non-current assets								
Intangible assets - Other	-					19.4	19.4	19.4
Property plant & equipment	80.9	(7.9)				(19.4)	(27.3)	53.6
Other investments	-						-	-
Deferred tax assets	-			7.1			7.1	7.1
	<u>80.9</u>						<u>(0.8)</u>	<u>80.1</u>
Current assets								
Inventories	43.9	(0.1)					(0.1)	43.8
Trade and other receivables	353.9	(22.8)			(6.8)		(29.6)	324.3
Cash and cash equivalents	<u>33.4</u>						-	<u>33.4</u>
	<u>431.2</u>						<u>(29.7)</u>	<u>401.5</u>
Non-current assets held for sale	-	30.8					30.8	30.8
Total assets	<u>512.1</u>						<u>0.3</u>	<u>512.4</u>
Current liabilities								
Bank overdrafts	-						-	-
Obligations under finance leases	(0.6)						-	(0.6)
Trade and other payables	(68.0)	0.5	5.1	(0.4)			5.2	(62.8)
Current tax liability	<u>(13.4)</u>						-	<u>(13.4)</u>
	<u>(82.0)</u>						<u>5.2</u>	<u>(76.8)</u>
Net current assets	<u>349.2</u>						<u>(24.5)</u>	<u>324.7</u>
Non-current liabilities								
Bank loans	(170.0)						-	(170.0)
Obligations under finance leases	(0.6)						-	(0.6)
Retirement benefit obligation	-			(23.4)			(23.4)	(23.4)
Deferred tax liabilities	<u>(5.0)</u>				2.0		2.0	<u>(3.0)</u>
	<u>(175.6)</u>						<u>(21.4)</u>	<u>(197.0)</u>
Liabilities directly associated with non- current assets held for sale	-	(0.5)					(0.5)	(0.5)
Total liabilities	<u>(257.6)</u>						<u>(16.7)</u>	<u>(274.3)</u>
Net assets	<u>254.5</u>	-	5.1	(16.7)	(4.8)	-	<u>(16.4)</u>	<u>238.1</u>
Equity								
Share capital	29.5						-	29.5
Share premium account	9.1						-	9.1
Own shares	(1.7)						-	(1.7)
Retained earnings	<u>217.6</u>		5.1	(16.7)	(4.8)		<u>(16.4)</u>	<u>201.2</u>
Total equity	<u>254.5</u>	-	5.1	(16.7)	(4.8)	-	<u>(16.4)</u>	<u>238.1</u>

**RECONCILIATION OF GROUP INCOME STATEMENT
FOR THE 52 WEEKS ENDED 26 FEBRUARY 2005**

	UK GAAP £m	Share Based Payment IFRS2 £m	Employee Benefits IAS 19 £m	Catalogue Costs IAS 38 £m	Discontinued activities IFRS5 £m	Effect of transition to IFRS £m	Restated under IFRS £m
Revenue	460.3				(12.4)	(12.4)	447.9
Operating profit	28.6	(0.1)	0.4	(3.8)	2.5	(1.0)	27.6
Share of joint venture operating loss	(1.9)					-	(1.9)
Profit from continuing operations	26.7					(1.0)	25.7
Finance costs (net)	(8.1)		(1.2)		2.0	0.8	(7.3)
Profit before taxation	18.6					(0.2)	18.4
Taxation	(3.3)		0.2	1.1	(1.4)	(0.1)	(3.4)
Profit from continuing operations	15.3					(0.3)	15.0
Loss from discontinued operations	-				(3.1)	(3.1)	(3.1)
Profit for the period	15.3	(0.1)	(0.6)	(2.7)	-	(3.4)	11.9
Earnings per share from continuing and discontinued operations							
Basic	5.18 p						4.05 p
Diluted	5.17 p						4.04 p

RECONCILIATION OF NET ASSETS AT 26 FEBRUARY 2005

	UK GAAP £m	Non current assets IFRS5 £m	Dividends IAS 10 £m	Employee Benefits IAS 19 £m	Catalogue Costs IAS 38 £m	Financial Derivatives IAS 39 £m	Reclass- ifications £m	Effect of transition to IFRS £m	Restated under IFRS £m
Non-current assets									
Intangible assets - Goodwill	1.5						(1.5)	(1.5)	-
Intangible assets - Other	-						19.7	19.7	19.7
Property plant & equipment	78.8	(7.0)					(18.2)	(25.2)	53.6
Other investments	0.1							-	0.1
Deferred tax assets	-			8.6		0.3		8.9	8.9
	<u>80.4</u>							<u>1.9</u>	<u>82.3</u>
Current assets									
Inventories	44.8	(0.1)						(0.1)	44.7
Trade and other receivables	332.6	(16.0)			(6.4)			(22.4)	310.2
Cash and cash equivalents	<u>44.5</u>							-	<u>44.5</u>
	<u>421.9</u>							<u>(22.5)</u>	<u>399.4</u>
Non-current assets held for sale	-	23.1						23.1	23.1
Total assets	<u>502.3</u>							<u>2.5</u>	<u>504.8</u>
Current liabilities									
Bank overdrafts	(0.1)							-	(0.1)
Obligations under finance leases	(0.6)							-	(0.6)
Trade and other payables	(77.9)	0.6	12.1	(0.4)				12.3	(65.6)
Other financial liabilities	-					(1.0)		(1.0)	(1.0)
Current tax liability	<u>(5.6)</u>							-	<u>(5.6)</u>
	<u>(84.2)</u>							<u>11.3</u>	<u>(72.9)</u>
Net current assets	<u>337.7</u>							<u>(11.2)</u>	<u>326.5</u>
Non-current liabilities									
Bank loans	(170.0)							-	(170.0)
Obligations under finance leases	-							-	-
Retirement benefit obligation	-			(28.3)				(28.3)	(28.3)
Deferred tax liabilities	<u>(4.8)</u>				1.9			1.9	<u>(2.9)</u>
	<u>(174.8)</u>							<u>(26.4)</u>	<u>(201.2)</u>
Liabilities directly associated with non- current assets held for sale	-	(0.6)						(0.6)	(0.6)
Total liabilities	<u>(259.0)</u>							<u>(15.7)</u>	<u>(274.7)</u>
Net assets	<u>243.3</u>	-	12.1	(20.1)	(4.5)	(0.7)	-	<u>(13.2)</u>	<u>230.1</u>
Equity									
Share capital	29.5							-	29.5
Share premium account	9.2							-	9.2
Own shares	(1.5)							-	(1.5)
Foreign currency translation reserve	-						0.2	0.2	0.2
Retained earnings	<u>206.1</u>		12.1	(20.1)	(4.5)	(0.7)	(0.2)	<u>(13.4)</u>	<u>192.7</u>
Total equity	<u>243.3</u>	-	12.1	(20.1)	(4.5)	(0.7)	-	<u>(13.2)</u>	<u>230.1</u>

3. Indicative view of UK GAAP

RECONCILIATION OF PROFIT FOR THE 26 WEEKS ENDED 27 AUGUST 2005 FROM IFRS TO INDICATIVE UK GAAP AS AT 26 FEBRUARY 2005

	IFRS £m	Adjust to UK GAAP £m	Indicative UK GAAP £m	26 weeks to 28-Aug-04 £m
Revenue – continuing operations	237.3	-	237.3	218.6
Operating profit – existing operations	27.9	0.6	28.5	23.7
Share of joint venture operating loss	(1.0)		(1.0)	-
Operating profit - continuing operations	26.9	0.6	27.5	23.7
Finance costs (net)	(4.3)	0.7	(3.6)	(2.9)
Fair value adjustments to financial instruments	0.9	(0.9)	-	-
Profit before taxation	23.5	0.4	23.9	20.8
Taxation	(6.7)	(0.1)	(6.8)	(5.9)
Profit from continuing operations	16.8	0.3	17.1	14.9
(Loss)/profit from discontinued operations	(0.9)	-	(0.9)	0.1
Profit for the period	15.9	0.3	16.2	15.0

This reconciliation has been prepared on the basis of the UK GAAP accounting policies applied by the group at 26 February 2005. No account has been taken of subsequent changes to UK GAAP during the 26 weeks ended 27 August 2005. The adjustment to operating profit of £0.6m relates solely to the core home shopping division, giving an indicative UK GAAP operating profit of £30.2m.

4. Accounting policies

Basis of accounting

The next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. Accordingly, the interim financial information has been prepared using accounting policies consistent with IFRS. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the directors expect to be applicable as at 25 February 2006.

N Brown Group plc's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP) until 27 February 2005. UK GAAP differs in some areas from IFRS. In preparing this interim financial information, management has amended certain accounting and valuation methods applied in the UK GAAP financial statements to

comply with the recognition and measurement criteria of IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments.

The group has made use of the exemption available under IFRS 1 to only apply IAS 32, 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' from 27 February 2005.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 1.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company, all of its subsidiary undertakings, the Employee Share Ownership Trust and the No 2 Employee Share Ownership Trust ("the employee trusts"), which are made up to a date co-terminous with the financial period of the parent company.

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of jointly controlled entities are incorporated in the financial statements using the equity method of accounting.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the total amount receivable for goods and services provided in the normal course of business net of returns, VAT and sales related taxes.

Property, plant & equipment

Property, plant & equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated so as to write off the cost of assets to their estimated residual value over their estimated useful lives using the straight-line method. No depreciation is charged on freehold land.

In this respect the following annual depreciation rates apply:

Freehold buildings	2%
Leasehold property and improvements	over the period of the lease
Motor vehicles	20%
Computer equipment	20%
Plant and machinery	Between 5% and 20%
Fixtures and fittings	Between 10% and 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Capitalisation of interest

Interest accrued on funding for major capital projects is capitalised as part of the cost of the assets up to the time that they come into use. The interest rate applied is calculated by reference to the actual rate payable on borrowings utilised for the project.

Web site development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses represents any excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Purchased goodwill arising on acquisitions before 1 March 1998 was charged against reserves in the year of acquisition in accordance with UK GAAP and has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

Computer software development costs that generate economic benefits beyond one year are capitalised as an intangible asset and amortised on a straight-line basis over 5 years.

Customer databases and brand names arising on acquisitions re-assessed under the transitional requirements of IFRS 3 are amortised over their useful economic lives, which have been assessed as five years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Assets leased from third parties under operating leases are accounted for by charging the rentals payable to income over the relevant term of the lease.

Assets held under finance leases are included in tangible fixed assets at a value equal to the original costs incurred by the lessor less depreciation, and obligations to the lessor are shown as part of creditors. The interest element is charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Inventories

Inventories have been valued at the lower of cost and net realisable value. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary

difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Other transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All resulting exchange differences are taken directly to the income statement.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and the results of overseas operations are classified as equity and transferred to the group's translation reserve.

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Profits and losses on financial instruments are recognised in the income statement as they arise.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Share-based payments

The group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 27 February 2005.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5. Analysis of revenue and operating profit

	26 weeks to 27-Aug-05 £m	26 weeks to 28-Aug-04 £m <i>Restated</i>	52 weeks to 26-Feb-05 £m <i>Restated</i>
Analysis of revenue			
<i>Continuing</i>			
Home shopping	225.6	206.3	416.5
Door to door selling	8.5	9.2	24.0
Fulfilment	3.2	3.1	7.4
	<u>237.3</u>	<u>218.6</u>	<u>447.9</u>
<i>Discontinued</i>			
TV rental	0.8	3.2	5.7
Financial Services	0.9	3.8	6.7
	<u>1.7</u>	<u>7.0</u>	<u>12.4</u>
Analysis of operating profit			
<i>Continuing</i>			
Home shopping	29.6	24.0	56.1
Door to door selling	(1.6)	(4.2)	(28.8)
Fulfilment	(0.1)	(0.1)	0.3
	<u>27.9</u>	<u>19.7</u>	<u>27.6</u>
<i>Discontinued</i>			
TV rental	(0.1)	(0.2)	(0.7)
Financial Services	0.2	1.4	(1.8)
	<u>0.1</u>	<u>1.2</u>	<u>(2.5)</u>

6. Earnings per share

The calculation of earnings per share is based on the profit for the financial period and the weighted average number of shares in issue during the period of 294,285,000 (2004, 293,746,000). For diluted earnings per share, the weighted average number of shares of 295,468,000 (2004, 294,502,000) has been calculated after adjusting for the potential dilution of outstanding share options.

7. Dividends

	26 weeks to 27 August 2005 £m	26 weeks to 28 August 2004 £m	52 weeks to 26 February 2005 £m
Dividend paid per share in the period of 4.1p (2004 – first half 4.1p, full year 5.84p)	12.1	12.0	17.1

The amount of £12.1m is in respect of the final dividend for the 52 weeks ended 26 February 2005, the amount of £12.0m is in respect of the final dividend for the 52 weeks ended 28 February 2004 and the

amount of £17.1m is in respect of the final dividend for the 52 weeks ended 28 February 2004 plus the interim dividend for the 52 weeks ended 26 February 2005.

8. Taxation

The taxation charge for the 26 weeks ended 27 August 2005 is based on the estimated effective tax rate for the full year.

9. Events since the balance sheet date

Dividends

The directors have declared and approved an interim dividend of 1.82p per share (2004 – 1.74p per share) on 10 October 2005. This has not been included as a liability at 27 August 2005. The dividend will be paid on 6 January 2006 to shareholders on the register at close of business on 9 December 2005.