N Brown Group plc

Annual Report and Accounts 2008

Home Truths

JDwilliams

Ambrose Wilson
Your alternative to the high street

Premier MAN

oxendales

Heather Valley

Simply Be

fashion WORLD

Shapely FIGURES

jacamo

Marisota

GRAY & OSBOURN

VivaLaDiva.com

home ESSENTIALS

naturallyclose.co.uk

THE SPECIAL COLLECTION

classic confidence

crazy clearance.co.uk

petfood n stuff.com

House of Bath

new|now.co.uk

HOME SHOPPING DIRECT

Simply Yours.co.uk
The Above Average Underwear Company

Fifty plus

discountworld.com

Simply Be HOME

THE SHOE TAILOR

CLASSIC DETAIL
FASHION FOR EVERY OCCASION

thebrilliant giftshop.co.uk
love to give

It's been a good year for N Brown. For a start we've seen like-for-like sales growth of 12.5% with all customer and product groups contributing. Then we've successfully launched a number of new brands – including Marisota, Jacamo and Simply Yours – as well as increasing our active customer base. Plus a 50% growth in our online sales has generated incremental revenue and delivered operational efficiencies. In short, a combination of hard work and a business model focussed on niche customers and products has led to record levels of customer satisfaction and has laid the foundations for future growth.

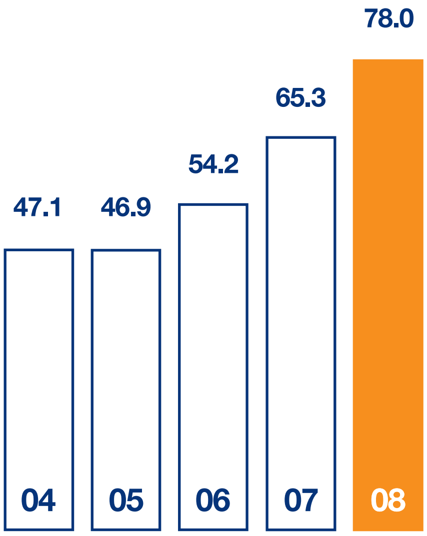
Contents

Financial Highlights

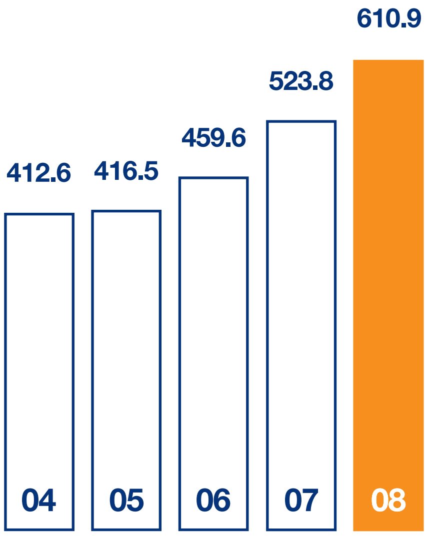
	08	07
Revenue	£610.9m	£523.8m
Operating profit	£91.8m	£76.3m
Profit before taxation	£78.0m	£65.3m
Basic earnings per share	20.75p	15.86p
Dividend per share	9.06p	7.53p
Net assets	£248.5m	£202.5m
Net asset value per share	91.6p	75.6p
Gearing	80%	51%

Five Year History

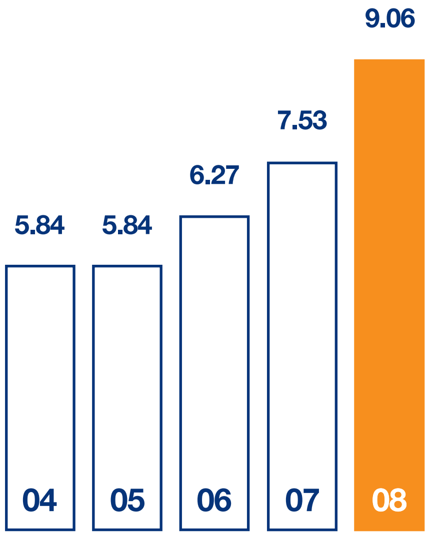
Pre-tax Profit* (£m)



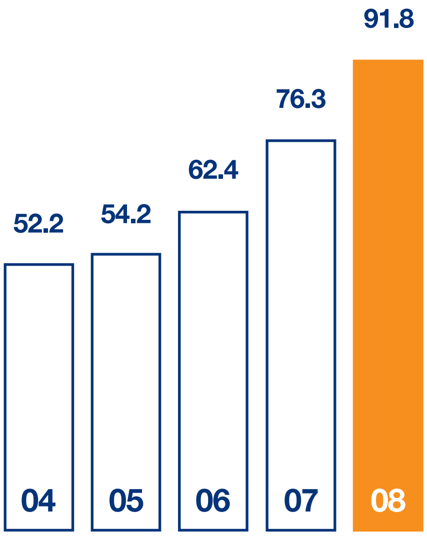
Revenue – Continuing Operations (£m)



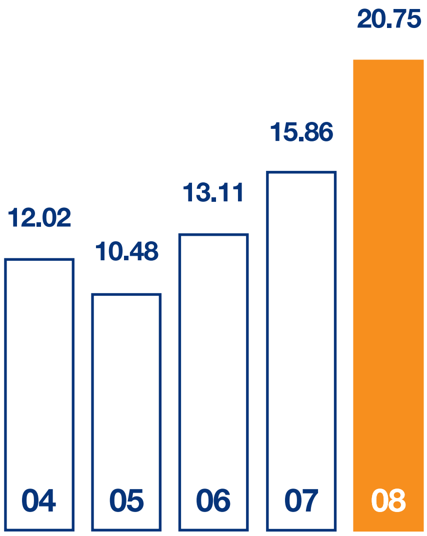
Dividends Per Share (p)



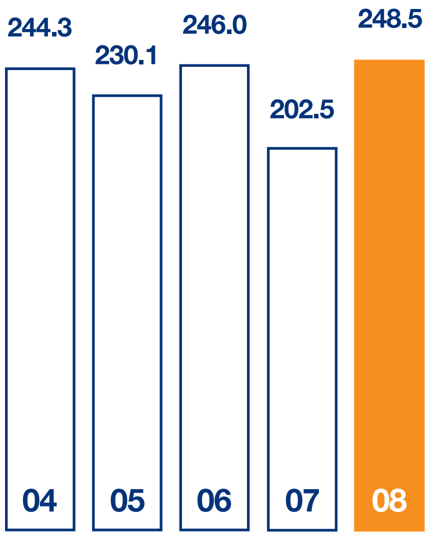
Operating Profit – Continuing Operations (£m)



Earnings Per Share* (p)



Net Assets (£m)



* Excluding operating exceptional items; 2005, £22.5m; 2004, £17.5m

** Results presented under IFRS from 2005, previously UK GAAP

Chairman's Statement

The group has achieved record results for the 53 weeks ended 1 March 2008 and has also made a good start to the new financial year. To reflect this, and our ongoing confidence in our business strategy, the directors are proposing a 20% increase in the final dividend.

Lord Alliance of Manchester, CBE
Chairman

Group
Group revenue from continuing operations for the year is up by 16.6% to £610.9m and operating profit is up by 20.3% to £91.8m. On a like-for-like basis sales are up 12.5% excluding the benefit of the 53rd week in this year which generated additional revenue of £12.5m and £1.9m of operating profit. Earnings per share from continuing operations are up by 30.8% to 20.75p, benefiting both from ongoing profit growth and also the return of value to shareholders and associated consolidation of share capital in March 2007. The directors are proposing a 20% increase in the final dividend to 6.41p, making a total for the year of 9.06p (up 20.3%), covered 2.3 times.

Net borrowings at the year-end stood at £199.4m, an increase of £95.4m on last year, due to the £80m return of value to shareholders, and £15m special contribution to the pension fund, which had a deficit of only £5.8m at 1 March 2008. The group has committed borrowing facilities of £320m which are in place until 2012. Net interest payable on borrowings was covered 5.9 times, and gearing is 80% (2007, 51%) based on net assets of £248.5m (2007, £202.5m).

Home Shopping Highlights
Key highlights have been the increase in our customer base, partly by the launch of new brands, expansion of our product ranges and growth of the online channel. The results are especially pleasing given the strange weather patterns, the general economic downturn and the impact on the business of the Royal Mail dispute in October 2007. The ongoing improvements in customer service and our operating efficiency have allowed us to invest in higher levels of customer recruitment, yet still increase the operating margin by 0.4% to 15.0%.

Customers
The size and quality of our customer database is a core strength of the business, and in the year the overall number of established customers with active accounts increased by 5%. In addition there was an 8% increase in average spend per established customer. Sales resulting from our new customer recruitment have increased by 15% for the year, following the significant investment that has been made to enhance the database, and we have launched a number of new brands to extend our offers to a wider audience. These include Simply Yours, a younger, outsize lingerie range, Marisota, offering a complete size proposition of contemporary clothing for confident women, and Jacamo, providing clothing and footwear for younger, larger men. The results from these new launches are encouraging and will be developed further in the coming year.

This growth has been achieved across all our brands, and whilst our mid-life titles, targeting customers aged 45-65, remain the most significant in volume terms and grew by a creditable 14%, the fastest growing have been our younger titles catering for the larger woman under 45 where sales are up by 24%.

Product Ranges
Sales growth has been seen across all our major categories, and we continue to increase both the breadth and depth of the range. Ladieswear sales were up 18% from

Group revenue up 16.6% to

£610.9m

Total dividend up 20.3% to

9.06p

Earnings per share up 30.8% to

20.75p

a wider choice of size fittings and ongoing development of exclusive product from designers, such as Anna Scholtz, and more branded lines. Footwear sales are up by 12% as we continue to offer the market-leading range in wider fittings. Although menswear currently accounts for just 8% of our total sales it has grown by 24% in the year and is an area where we see future opportunities. Strong electrical sales in particular have contributed to home and leisure sales growing by 14%, now accounting for 27% of total revenue.

Online Sales
In the last 12 months our online sales have grown by 50% and now represent 28% of all sales, compared with 22% last year, as customers of all ages gain confidence with online shopping. Ongoing improvements to web functionality, alongside internet-only product offers and promotions, are driving online order values to be 25% higher than those taken by telephone, which, in addition to cost savings achieved through bypassing the contact centre, have generated operational efficiencies.

The internet is additionally providing an effective recruitment channel and further developments are in place to exploit this. Our new brands have achieved a notably strong internet penetration.

Gross and Operating Margins
Due to the planned changes in customer and product mix we anticipated a reduction in the gross margin, and the fall of 0.3% to 55.3% was better than expected. This drop was more than offset by lower costs achieved as a result of the higher online penetration and lower distribution costs, resulting in an increase in the operating profit margin by 0.4% to 15.0%.

Service
For the Autumn/Winter 2007 season, we achieved our highest ever level of customer satisfaction, which was reflected in a lower rate of goods returned by customers. In May 2007 the £10m project to extend the bulk and hanging garment warehouses at our Hadfield site was completed successfully which is helping to improve productivity and speed up the time taken to despatch customers' orders. Later this year it will enable the integration of Gray & Osbourn's operations, which are currently outsourced, to further drive cost efficiencies.

Current Trading and Outlook
Home shopping sales for 8 weeks to 26th April 2008 are up by 12.1% on the same period last year continuing the trends from the prior year. As expected the rate of gross margin has reduced by 0.4% compared to last year due to product and customer mix, and we would expect this to be the situation throughout the year. The proportion of sales transacted over the internet in this period was 31%, an increase of 42% in value.

Despite the current economic climate, the board believes there are a number of reasons why the business is well placed to continue to outperform the retail sector as a whole. Firstly the age and socio-demographic distribution of our customer base means it is less impacted by higher interest rates. In addition the increased strength of the customer database, coupled with the potential from the roll-out of our new brands, gives us a firm foundation for the year. The upward trend in online penetration will also continue to deliver incremental demand and cost savings, complementing the ongoing development of catalogues and product ranges.

As a result the board remain confident that the management and staff, who have performed very well over the last year, can deliver another good performance this year.

**Lord Alliance
of Manchester, CBE**

Chief Executive's Review

The results for the 53 weeks to 1 March 2008 continue to demonstrate the successful implementation of our strategy to focus on niche customers and products. Sales were £610.9m, up by 16.6% on last year and operating profit from continuing businesses was £91.8m, an increase of 20.3%.

Alan White
Chief Executive

Home Shopping Summary
On a like-for-like basis, sales were up by 12.5% excluding the benefit of the 53rd week which contributed an additional £12.5m of revenue and an extra £1.9m operating profit. The increases in sales across all customer and product groups, alongside record customer satisfaction levels and ongoing reductions in major operating costs, are encouraging, as is the strong growth of our e-commerce activities.

We have invested significantly more in marketing and recruitment costs during the year but the efficiency we have achieved in our operating costs has led to an overall 0.4% increase in the operating margin to 15.0%.

The good start to the new financial year demonstrates that our home shopping portfolio of catalogues and websites is in good shape and is well placed for further progress.

Customer Groups
We have a range of twenty different propositions to which we recruit customers, with each having a target customer profile, or product focus. We group them for simplicity in three age bands:

– Younger – targeting customers under 45
– Mid-life – targeting customers aged 45-65
– Older – targeting customers over 65

In the last year, the younger customer group has been the fastest growing with sales up 24% to £168m. Fashion World, which has the highest sales in this category by targeting value-conscious customers in their forties, had strong growth, but the key driver has been Simply Be with sales growth of 39%. Simply Be caters for female customers in their thirties who want fashionable clothing in sizes 14 to 32, but find it hard to buy clothes on the high street to fit. We have continued to expand the product range, notably with the introduction of brands such as Joe Browns and Ben Sherman, where we have exclusivity in larger sizes. To complement the Simply Be brand we have also launched Simply Yours, recruiting customers to a younger lingerie catalogue. Additionally we have created and launched Jacamo for younger, but larger, fashion conscious men. The initial results from these new brands are encouraging with customer recruitment levels, repeat order rates, and online penetration all beating their targets.

Our mid-life brands are the largest group, with sales of £415m, representing 68% of group sales. Despite these being our most established brands, we have seen sales growth of 14%, with particularly strong performances from JD Williams, Ambrose Wilson, Oxendales and Premier Man. These customers love to shop from our catalogues and websites, for our range of stylish, comfortable clothing and footwear which is almost invariably available in their size, length or fitting. To further develop this group we launched Marisota in the Autumn/Winter 2007 season. It is targeted at middle-aged women who are not currently home shoppers, and who we can attract through a contemporary clothing offer which emphasises the wide range of sizes, lengths, colours and fittings. The early results from Marisota have exceeded initial expectations and further investment is planned for 2008/9.

Number of established customers over

5 million

Younger customer sales up

24%

Sales from mid-life brands up 14% to

£415m

In June 2006 we acquired Gray & Osbourn, an upmarket ladieswear catalogue in this mid-life group, specialising in German branded merchandise. Growth from this has been exceptionally strong, with sales for the full twelve months of £25m, compared with £12m in the eight months in the previous year.

The third group of catalogue brands is the older group which includes Heather Valley and Special Collection. These customers delivered sales of £28m, up by 12%, and account for 5% of total sales.

Sales growth has been driven from both our established customers (who have purchased in previous years) and new customers (those recruited during the period). We have an established database of over five million customers who have ordered in the past two years and in the period we saw an increase in active customers of 5%, coupled with an 8% increase in average spend per customer.

Due to the operating cost efficiencies being driven across the business as a whole, we have been able to invest significantly in new customer recruitment, both for the established brands and the new launches of Simply Yours, Marisota and Jacamo. The sales from newly recruited customers in the year rose by 15%, and we are experiencing improved second order rates due to the investment in more targeted advertising, albeit at a marginally higher initial cost per acquisition, as we switch from individual product advertisements to promotion of our unique selling propositions. This includes a dramatic increase in customers recruited through search engine marketing.

Product Groups

Our core selling points are around size and fit, and in the year we have continued to extend the range we offer with a 20% increase in options to over 180,000. We can service such an extensive range by operating from two centralised warehouses.

Ladieswear sales increased by 18% to £332m and account for 54% of the total. Our extensive range of sizes go up to size 38, and over half our ladieswear sales are in size 20 or above where availability on the high street is limited. The range continues to be expanded with more length options on skirts and trousers and even swimwear is now available in two lengths. Younger fashion has grown due to strong Simply Be sales and our casual ranges which offer great fashion and value. With improved presentation in both our Wardrobe and Joanna Hope ranges we saw impressive sales growth in smartwear, and the expanded sportswear range is proving highly popular. We have also launched a fast fashion range, with new products designed and then featured on our websites within eight weeks. As well as generating its own sales stream, it gives a strong indicator as to trends and winning lines, which can be incorporated into future editions of the catalogue.

The corsetry and lingerie ranges now feature bra sizes from 32A up to 56L, with an unsurpassed array of styles and colours. The younger styles have again been expanded to support the development of the Simply Yours brand and in particular we have introduced more branded merchandise. Last year our lingerie was heavily featured on Channel 4's "How To Look Good Naked".

Within footwear we are the market leader in wide fittings and new developments have included a multi-fit range, with variable insoles allowing a perfect fit, and boots available in up to four calf fittings. Footwear sales have grown by 12% in the year, with success in both the core ranges and the introduction of styles suited to the younger Fashion World and Simply Be customers.

Menswear has continued to grow with sales of £46m, up by 24%, driven both by our mid-life Premier Man and Southbay ranges and our more fashionable Resume range. Although menswear accounts for only 8% of our total sales at present, it is a key area for future development. The launch of Jacamo in August 2007 was designed to gain an increased share of the younger menswear market, and involved acquiring more branded lines in larger sizes.

Home and leisure sales have grown by 14% and now account for 27% of total sales. Our extended gift range for Christmas proved successful and further developments are planned for 2008/9. We have seen strong electrical sales as our customers adopt newer technologies such as digital television and radio, personal computers and satellite navigation systems. In addition we have successfully expanded the home and leisure range for younger customers with the Simply Be Home catalogue which has a more contemporary collection of home décor and garden products.

Chief Executive's Review

Online sales up 50% to

£168m

Average customer spend up

8%

Ladieswear sales up 18% to

£332m

A key part of our strategy is to encourage customers to trade across our departments and the main measure is the proportion of customers who purchase something during the year from each of the ladieswear outerwear, underwear and footwear ranges. This has increased to 14% through an active cross-selling programme which in turn will drive higher spend per customer and loyalty in future seasons.

Managing the multiplicity of catalogues, brochures, leaflets and online offers with such a large range of product options is core strength of the business and we have succeeded in delivering high service yet low dormancy levels.

The achieved gross margin is a complex mix, based on the performance of different product and customer segments, including the financial income and bad debts arising from sales on credit. For 2007/8, the reduction in gross margin by 0.3% to 55.3% was better than we had anticipated based on the change in this mix.

Credit
Most of our customers have a credit account but less than half incur any interest charges as they pay their balance in full. Our credit scoring policy has increased credit limits to established customers through behavioural scoring, and assisted new customer recruitment through increased acceptance at marginal levels. Although this has increased bad debt, this is in line with our plan and the strategy continues to prove profitable. We are monitoring our portfolio very closely for any signs of degradation but to date there have been no significant changes after allowing for the influx of new customers and the mix of the active customer base. Overall debtors at the end of the year had increased by 13% to £389m.

E-Commerce
A key element of our success this year has been the increase in our online sales to £168m, accounting for 28% of total sales compared to 22% last year. This is an increase of 50% on the prior year. The increase is driven by customers of all ages becoming more confident in shopping online. The websites are actively promoted to established customers through the more traditional, paper based communications we send out, as well as using the channel as an effective recruitment vehicle for new customers.

The internet brings a number of benefits to us, and is proving highly cost effective. The average order value online is 25% higher than for orders placed offline as customers find it easy to browse our many websites, taking their online basket with them. Once an online shopper, we then see a customer's frequency of order increase due to the convenience the channel offers, and we utilise e-mail marketing campaigns extensively to generate incremental demand at a low promotional cost.

During the year we have again invested heavily in improving the capacity and functionality of our websites, and the new features are encouraging customers to spend longer periods logged on to our websites which generates additional revenue.

Encouragingly, our developing younger brands and new launches, which have all been backed with a web offering, are seeing very strong online penetration. For example, 60% of Simply Be's sales are online and this is 69% for Jacamo.

Service and Costs
For the Autumn/Winter 2007 season we achieved our highest ever level of customer satisfaction as measured through ongoing service questionnaires. This demonstrates continued satisfaction with our products, which is also reflected in a 0.3% reduction in the rate at which customers return goods as a result of product quality and fit improvements. Additionally, the customer satisfaction level shows that the service delivered by our call centre and fulfilment logistics teams is improving. A key measure is that the proportion of enquiries made by our customers actually fell from the previous year.

In May 2007 we completed a £10m project developing our Hadfield warehouse, which has increased bulk and hanging garment capacity, and allowed a faster delivery to customers. We are also in the process of migrating the courier delivery service from TNT Post to Parcelnet, following TNT's exit from the low cost parcel network. Courier delivery currently accounts for around 70% of deliveries and the move to Parcelnet will be complete by mid-2008 with better service levels anticipated for no additional cost.

Distribution costs in the year have only increased by 12.5% primarily due to the collation benefits achieved on the back of higher order values, mainly via the web, and improved stock availability.

Menswear sales up

24%

Home and Leisure sales up 14% to

£167m

Proportion of total sales online

28%

Management
We have strengthened the operating board in the last few months with three senior appointments. Mark Cheshire joined as Customer Service Director, Paul Kendrick as Group Development Director and Neil McGowan as Information Technology Director.

Environment
We take the impact our business has on the environment seriously and have instigated a number of initiatives to reduce our carbon footprint. For example, 75% of group waste is now re-cycled, compared to just 25% in 2005/6, and we aim to move this to 85% by the end of 2008. Despite the growth of the business, and the increases in volumes and working hours at our warehouses, we have maintained gas and electricity consumption at previous years levels, and this year will migrate to 100% Green Energy.

Zendor
In December 2007 we completed the disposal of non-core activities with the sale of Zendor to GSi Luxembourg S.a.r.l. The net proceeds in cash, including repayment of inter-company loans, was £3.6m and allows the group to focus exclusively on its core home shopping business.

Current Trading and Prospects
The development of our established home shopping brands and the launch of new titles, have given us a good platform for the future. This is evidenced by the sales for the 8 weeks to 26th April 2008 which are up by 12.1% with the growth spread across all customer and product groups.

The rate of gross margin has reduced by 0.4% due to the mix of turnover slightly favouring new customers and our younger brands for the 30-45 age group. However we expect to achieve further operational cost savings from the increasing proportion of online sales during the year.

The demographic trends continue to benefit our business, with the customer population aged 45+ forecast to grow steadily over the medium term, and we are well positioned through our range of brands and niche products to capitalise on this. Moving forward we will continue to grow the business by recruiting new customers, increasingly through the internet, and increasing the spend of established customers, as we encourage them to shop across our various product ranges.

All the new brands launched in 2007 have shown strong early results and activity on these will be increased in 2008/9. Additionally we have acquired the Nightingales brand and customer file from the administrators. This will add to our older catalogue group with a more upmarket, traditional ladieswear range, and the first catalogue has met our expectations.

The product ranges have been significantly expanded in recent years, and the exclusive product is proving highly popular. We will build on the designer ranges featured and have also launched a ladieswear range with Caryn Franklin within our spring/summer catalogues. Following the success of the home and leisure Christmas range, we will be rolling out an all-year round gift offering under thebrilliantgiftshop.co.uk brand.

The internet is the channel of choice for a large proportion of our customers, and we will continue to invest in an ongoing development programme. Improvements will include enhanced search engine optimisation to make online customer recruitment even more effective, and improving the online experience through better product presentation and guided navigation, which in turn should improve visitor/order conversion levels.

As we continue to seek improvements in the way we deal with customers, we will offer a differentiated service within our contact centres dependent on brand. Initially this is being trialled on Nightingales, Gray & Osbourn and House of Bath.

The combination of the demographic trends, strength of our database, rollout of the new titles, expansion of the product ranges, investment in our e-commerce activities and improvement to our customer service give us confidence that the business will make further progress in the 52 weeks to 28th February 2009.

Alan White

Financial Review

The 53 weeks to 1 March 2008 was another record year for the group reflecting the successful continuation of our strategy to develop our home shopping business. As a result group sales exceeded the prior year by 16.6% to £610.9m.

Dean Moore
Finance Director

Group Trading Summary
Group operating profit for the same period amounted to £91.8m (2007, £76.3m) and was achieved despite a 0.3% reduction in gross margin arising from a higher rate of charge for bad debts due to a planned change in the customer profile. Lower distribution costs due mainly to improved collation rates and other cost efficiencies arising from the customers' propensity to use the internet more than offset this shortfall, increasing the group's operating margin to 15.0%, compared with 14.6% last year.

Zendor, our third party fulfilment business was sold in December 2007 for a net consideration of £1.7m and consequently is accounted for as a discontinued operation.

Profit before taxation amounted to £78.0m (2007, £65.3m), despite a rise in net finance charges to £15.6m (2007, £8.6m) on higher net debt as a result of the £79.9m return of value to shareholders paid in March 2007 and a £15m special contribution to the pension fund. A favourable movement in the fair value of the group's forward foreign currency contracts contributed a profit of £1.8m compared to a £2.4m loss in the prior year.

Taxation
The effective rate of corporation tax for the year is 28.5% (2007, 28.3%) as we continue to benefit from lower overseas tax rates and tax planning. We expect the rate to fall slightly going forward due to the reduction in rate.

Balance Sheet and Cash Flow
The strong trading performance has resulted in net assets increasing to £248.5m at the year end from £202.5m last year.

Total capital expenditure for the year was £15.5m of which £6m related to further investment in our warehousing infrastructure at Hadfield and Shaw. £6.7m was spent on website development and customer service management systems which will continue to generate operational savings. Year end stock levels at £68.1m were 24% up on last year reflecting the wide range of merchandise on offer and advanced purchasing to satisfy customer service.

Trade debtors at the year end were up 13.3% to £389.3m compared to £343.4m last year. The rate of bad debt increased due to the mix of debtors favouring newer and younger customers as planned.

The group's defined benefit pension scheme deficit has reduced to £5.8m (2007, £27.7m) following the £15m special contribution paid during the year which will be followed by three further contributions of £4m per annum for three years, with the final payment in 2010 being subject to the results of the actuarial valuation in 2009.

Net cash generated from operating activities fell from £42.8m to £31.7m primarily due to the special pension contribution which together with the return of value payment to shareholders in March 2007 of £79.9m increased net debt in the year to £199.4m (2007, £104.0m) and gearing to 80% (2007, 51%).

Key Performance Indicators
The directors use a number of key performance indicators (KPIs) to monitor the progress of the group, including:

Group profit before tax up 19.4% to

£78m

Operating margin up 0.4% to

15.0%

Capital investment

£15.5m

– Like for like sales (see page 6).
– Internet sales (see page 8).
– The number of customer debtor accounts and their average debtor balance, which at the year end was 1,627,000 (2007, 1,467,000) and £253 (2007, £234) respectively.
– Mix of sales by product and customer groups (see pages 6 to 8).
– Gross Margin (see page 5).
– Operating margin (see page 5).

Risks and Uncertainties
There are a number of risks and uncertainties which could have an impact on the group's long-term performance. They include the potential threat from our competitors; our relationship with key suppliers; the loss of key personnel; potential disruption to our key information systems, warehousing or call centre facilities arising from events beyond our control such as fire or other issues which could have a detrimental impact on sales and profit; changes to the regulatory environment that the business operates under, primarily regulated by the Financial Services Authority and the Office of Fair Trading.

The directors routinely monitor all these risks and uncertainties and appropriate actions are taken to mitigate these risks, such as having business continuity procedures in place, a dedicated team assessing regulatory developments, ensuring we treat our customers fairly and hosting regular reviews with all of our strategic partners. The board are also committed to continually invest in updating its systems and infrastructure to keep pace with new technology.

Treasury
Funding arrangements have been set to adequately support the ongoing trading and development activity of the group. The group has committed borrowing facilities of £320m until 2012, of which £250m were utilised at the year end. The primary facilities are a £200m securitisation programme through an HSBC A-1/P1 rated conduit that has no exposure to the US sub-prime mortgage market and has a matching standby facility. The group also last year entered into two five-year revolving credit loan facilities of £50m each with HSBC Bank plc and The Royal Bank of Scotland plc, primarily in order to finance the return of value payment to shareholders. All the current facilities are arranged at floating interest rates. Where appropriate, exposure to interest rate fluctuations on indebtedness is managed by using derivatives such as interest rate swaps. In addition the group has cash balances of £50.8m (2007, £40.0m).

Anticipated foreign exchange requirements for the purchase of stocks denominated in US dollars are hedged for up to three years ahead to fix the cost of sterling. This hedging activity involves the use of spot, forward and option contracts. At the year end the group had outstanding forward foreign exchange contract commitments of $66m (2007, $61m).

Accounting Standards and Going Concern
Group accounting policies reflect current professional standards and related guidelines issued by the International Accounting Standards Board and are prepared in accordance with International Financial Reporting Standards as adopted for use in the EU.

Having made appropriate enquiries and having continued to operate an appropriate risk management process during the year, the directors are pleased to report that adequate resources exist to enable the group to operate for the foreseeable future. A going concern basis adopted in the preparation of the accounts is therefore considered appropriate.

Shareholders Return
The share price of 334.5p at the start of the year had fallen to 250.5p at the year end giving a market capitalisation of £679.6m (2007, £895.5m). A final dividend of 6.41p per share has been recommended by the board and represents an increase of 20% on the previous year giving a total dividend for the year of 9.06p per share, up by 20.3%, covered 2.3 times (2007, 2.1 times).

Dean Moore

Directors and Officers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1. Lord Alliance of Manchester CBE (75)
Non-executive Chairman [c]
Appointed a director and Chairman in 1968. Formerly Chairman of Coats Viyella Plc. He is also a director of a number of private companies, and was appointed a life peer in 2004.

2. Alan White (53)
Chief Executive
Rejoined the company as Chief Executive in 2002. Previously with Arthur Andersen and Sharp Electronics, he originally started with the company in 1985 and was Finance Director until 1999, when he left to become Group Finance Director of Littlewoods Plc. Non-executive director of Topps Tiles plc.

3. Dean Moore (50)
Group Finance Director
Appointed in November 2003. Previously Group Finance Director at T&S Stores Plc and Graham Group Plc. Also held various roles with Lloyds Chemist Plc, Sketchley Plc, Blue Circle Industries and Grant Thornton.

4. Nigel Alliance OBE (73)
Non-executive Director
Appointed a director in 1969, he changed to non-executive status in 1995. He is also a director of a number of private companies.

5. Ivan Fallon (63)
Non-executive Director [a, b, c]
Appointed a director in 1994. He is the Chief Executive of Independent News & Media (UK), a director of Independent News & Media Plc, Chairman of Verivox and also a director of Truphone. Chairman of the remuneration committee.

6. Lord Stone of Blackheath (65)
Non-executive Director [a, b, c]
Appointed a director in 2002. Formerly with Marks & Spencer Plc until he retired as Joint Managing Director in 1999, currently Deputy Chairman of Sindicatum Carbon Capital. Chairman of the nomination committee.

7. Philip Harland (52)
Company Secretary
Joined the company in 2000. Previously company secretary and associate director of legal services at GUS Home Shopping Ltd. Admitted as a solicitor in 1981.

8. John McGuire (59)
Non-executive Director [a, b, c]
Appointed a director in March 2004. Formerly Chairman of Corporate Banking for Royal Bank of Scotland Group in the North of England and Midland regions. Associate Councillor with Manchester Chamber of Commerce and Industry, Audit Chair of Stockport NHS Foundation Trust. Non executive director of The University of Manchester. Chairman of the audit committee.

a Audit committee member
b Remuneration committee member
c Nomination committee member

Over the last twelve months we've quietly gone from strength to strength. This section shows some of the facts behind this growth.

01. In the last 12 months we've launched a number of highly targeted new brands. For example Marisota is aimed at contemporary, internet savvy women home shoppers with a thirst for fashionable clothing that really fits their shape and size.

Marisota

Designed with you in mind

02. **Many larger women are unable to buy fashionable bras on the high street. That’s why we’ve launched Simply Yours, a range of underwear that recognises size shouldn’t be a constraint for any woman who wants beautiful looking lingerie.**

Simply Yours.co.uk

03. **As a part of our "niche products and niche customers" approach we're continually looking for underserved areas of the market. Younger, larger menswear is one of those areas where branded clothes are an essential element.**

issue **one** autumn 07

jacamo

IT'S NO ORDINARY **MENSWEAR** COLLECTION

04. We're always looking for new product opportunities and refining our existing products and ranges to fill any gaps we identify. One of our main selling points is size, with merchandise available in a range of lengths and fits not available elsewhere. During the year we offered over 180,000 different product options.

05. Celebrity designers like Caryn Franklin, Gok Wan and Anna Scholz are increasingly important for N Brown. We're working in partnership with these big names, harnessing our size experience to create new ranges.

06. We've strengthened our active customer base in two ways – firstly by attracting new customers, and secondly by improving the response rate from our established customers.

07. Our commitment to fast fashion means we can now take an idea from drawing board to customer in just eight weeks. We're also trialling more products online, and only moving them to our catalogues if they prove successful. This ability to test ideas on the web means we can back our winners with real confidence.

1/2 sizes available

3 LENGTHS

SIZE 12 TO 32 ALL ITEMS

4 CALF WIDTH FITTINGS

08. For many years we've benefited as the UK population gets older and larger. To make the most of this demographic trend we're now offering merchandise in a larger range of fits, lengths and sizes than our competitors. In fact three quarters of all our trousers and half of skirts now come in different lengths.

E FITTING

EE FITTING

EEE FITTING

C/D FITTING

EEE/EEEE FITTING

EEE/EEEE FITTING

D FITTING

EEEE FITTING

UP TO 73 inch chest

1st choice FOR SIZE OPTIONS

09. **Many of our web pages have been improved, with better navigation and more compelling content. The result is increased "stickiness" as more people stay online with us for longer.**

10. **We're developing a series of incremental ranges, particularly in the home and gift sectors. Simply Be Home brings the same ideas and attitudes that made Simply Be such a success to a great range of contemporary home products. We've also expanded our Christmas range to include a broader range of ideas for the perfect present, such as perfume and jewellery. Our website www.thebrilliantgiftshop.co.uk is now offering these products all year round.**

EUROPEAN GLAMOUR STYLE

GRAY & OSBOURN

09. Gray and Osbourn – one of our more recent acquisitions – has generated turnover of £25 million in its first full year with N Brown. The mix of formal outfits and smart/casual leisurewear enhances N Brown's appeal to a more upmarket audience and helps open up a new demographic for us.

online all the time...

12. We're seeing encouraging results from our customer recruitment drive involving online and offline channels. Today one in four of our new customers come to us through a search engine, even if initially they saw the advertisement on TV or in a magazine.

13. The N Brown Golden Triangle of lingerie, shoes and larger size clothes is an ongoing success story, with 14% of customers buying across the triangle. The loyalty and buying activity of these customers is as important to us today as it's ever been.


14. We've an increasing number of unique, successful products. Last year's best seller – a mid length boot with variable calf fittings – has now grown into a complete range. This year a multifit shoe aimed at people with different size feet is proving a huge success.

15. **Sales to our core mid life audience are going from strength to strength. We're getting more purchases and more market share across more categories. We've strengthened our offering by responding to their wants and needs, for example by providing more lengths and more sizes. The result is increased loyalty from this growing socio-demographic group.**

let's make fashion fun again!

16. **Customer satisfaction is at an all time high. The reason is two-fold. Firstly we know our customers and give them bright, stylish clothes that are sized to fit and flatter the larger, older figure. Secondly our customer service and speed of delivery are improving every year.**

Financial Statements

Directors' Report

The directors present their report and accounts for the 53 weeks ended 1 March 2008.

Activities and results
The principal activities of the group is retailing through direct home shopping. The activities are more fully explained in the Chief Executive's Review on pages 6 to 9. Group profit before taxation from continuing operations for the 53 weeks ended 1 March 2008 amounted to £78.0m (2007, £65.3m). No geographical segmentation is provided as, apart from a small operation in the Republic of Ireland, all activities take place in the United Kingdom.

Enhanced Business Review
The company is required by the Companies Act to set out in this report a fair review of the business of the group during the 53 weeks ended 1 March 2008 and the position of the group at the end of that period. The company is also required to set out a description of the principal risks and uncertainties facing the group. The information fulfilling the above requirements can be found within this report and within the Chairman's Statement, the Chief Executive's Review and the Financial Review (pages 4 to 11) and are deemed to be incorporated in this report by this cross-reference.

The board monitors a number of financial and non-financial Key Performance Indicators and these are detailed on page 10 of the Financial Review.

Dividends and reserves
An interim dividend of 2.65p per share (2007, 2.19p) was paid on the ordinary shares of the company on 4 January 2008. The net cost of this dividend was £7.2m (2007, £6.5m).

Details of a return of value undertaken by the company on 2 March 2007 are set out below under the section headed "Share capital".

The directors recommend a final dividend of 6.41p per share (2007, 5.34p) for the 53 weeks ended 1 March 2008, the net cost of which will be £17.4m (2007, £14.3m). The dividend will be paid on 25 July 2008.

Movements in reserves are shown in note 27 on page 72.

Acquisitions and disposals
On 14 December 2007 the group sold the entire share capital of Zendor.com Limited, its fulfilment subsidiary, for net cash proceeds of £3.6m and a profit on disposal of £0.8m.

Share capital
Details of the company's authorised and issued share capital are shown in note 23 on page 71. Details of outstanding employee share options and the operation of the relevant scheme are shown in note 32 on page 74. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

At an Extraordinary General Meeting of the company held on 21 February 2007, shareholders approved a return of value of £79.9m, by way of a "B share" scheme of 27 pence per existing ordinary share of 10 pence each and the consolidation of existing ordinary shares on the basis of 19 new ordinary shares of 11 1/19 pence each for every 21 existing ordinary shares of 10 pence each.

295,906,293 B shares of 0.01 of a penny each were allotted and issued on 21 February 2007. On 2 March 2007, the company declared a dividend of 27 pence per B share. In accordance with the articles of association of the company, following the declaration of the dividend on the B shares, all B shares were converted into deferred shares. The deferred shares carried limited rights and negligible value. On 13 March 2007, the company repurchased all the deferred shares for an aggregate consideration of one penny. These deferred shares were cancelled on repurchase.

Annual general meeting
The annual general meeting is to be held on 1 July 2008. The notice convening the annual general meeting is being sent to members by way of separate circular together with full explanatory notes on each resolution to be proposed at the meeting.

Directors
The biographies of the directors, all of whom served throughout the year are shown on page 12. In accordance with the provisions of the Combined Code (2006) those non executive directors who have served a term of more than 9 years on the board will be subject to annual re-election. Those affected by such a provision are, Lord Alliance of Manchester CBE, Nigel Alliance OBE and Ivan Fallon. Accordingly they will retire at the next annual general meeting and, being eligible, offer themselves for reappointment at that meeting.

In addition, in accordance with the Articles of Association of the company Lord Stone of Blackheath will retire at the next annual general meeting and being eligible, offers himself for reappointment at the meeting.

Details of directors interests (beneficial and non-beneficial) in shares of the company are given in the Remuneration Report on page 49 and are deemed to be incorporated into this report by this cross-reference.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Combined Code and the Companies Acts. The powers of directors are described in the board terms of reference and the Corporate Governance Report on page 38.

Directors' and officers' liabilities
The group maintains insurance for directors and officers of the group, indemnifying them against certain liabilities incurred by them whilst acting on behalf of the group.

Major shareholders
In addition to the directors' shareholdings shown in the Remuneration Report on page 49, the following notifications had been received from holders of notifiable interests in the company's issued share capital as at 30 April 2008:

	Holding	% of issued share capital
Standard Life Investments	26,349,331	9.71
Legal & General Investment Management	9,345,869	3.44
Aberforth Partners	9,151,599	3.37
Liontrust Asset Management	8,784,703	3.24
Fidelity Investment Services (Europe)	8,570,401	3.16

Environmental, social and governance issues

Governance and risk management
The board is committed to maintaining high standards of corporate governance. The company monitors and evaluates risk on an ongoing basis as part of its commitment to sustainable business. Further details are contained in the Corporate Governance Report on pages 38 to 40.

Ethics
The board regards achievement and maintenance of the highest ethical standards in business as an essential feature in the way in which the group conducts its business. A code of ethical conduct dealing with commercial standards, conflicts of interest, gifts and hospitality has been circulated to all staff. All directors and employees of the group are required to comply with both the letter and the spirit of the code of ethical conduct in all their dealings on behalf of the group and directors and senior staff are required to file an electronic return detailing compliance with the policy on gifts and hospitality, online each month.

In their dealings with each other, other group companies and their shareholders, customers, suppliers, competitors with regulatory authorities and the wider community, employees are required to:

– conduct all dealings with honesty, integrity and fairness;
– comply with all relevant laws, regulations and internal company policy;
– encourage and support a business culture which exhibits and promotes ethical conduct at all levels within the organisation; and
– avoid any situation or action which could cause damage to the group's reputation.

Directors of all group companies are required to disclose details of related party transactions for review by the audit committee.

A register of gifts and benefits offered by, and to, suppliers and other parties whether accepted or declined is maintained under the control of the head of internal audit. Summary information is presented to the group's audit committee. All employees, managers and directors are required, each month, to declare any offer of gifts or hospitality with a value of £25 or more, offered, accepted or declined.

The group has drawn up and issued a comprehensive "whistleblowing policy" providing employees with an appropriate means of communication in case of ethical concerns regarding the way the group operates in its day-to-day activities.

Environment
The group recognises its environmental responsibilities and is committed to minimising any damage which its activities may cause to the environment. It has delegated specific responsibility for environmental matters to a nominated director on each of its principal subsidiary boards. In addition, it actively pursues a number of environmental policies, including those designed to contain energy costs, the recycling of paper and packaging materials wherever practical and the use of information technology systems to reduce the level of consumption of paper by its employees. The Packaging Waste Directive (94/62/EC), requires larger companies to recover and recycle the packaging waste that they put into the environment. The group was one of the first organisations to join the Valpak Organisation, which is a nationwide sustainable recovery and recycling infrastructure.

The group's packaging technologists look at every product sold within the group's publications to ensure its compliance to European Environmental Law with particular emphasis on the Pack Minimisation (Essential Requirements) 1998 Regulations.

All packaging components are made from materials and processes causing minimum harm to the environment when either manufactured, processed, recycled or eventually disposed of. All of the group's paper packaging is made from a minimum of 75% recycled paper and all other paper is sourced from 100% recyclable papers. Wherever practically possible packaging materials and processes are derived from managed and renewable sources. The majority of the paper used by the group in its publications comes from such sources. The group adopts a "cradle to grave" view on all packaging products used by it.

In the year under review the following environmental 'mileposts' were achieved:-

- £174K (11%) savings in Utilities Charges (direct by reduced consumption + cost avoidance by selective contract negotiations).
- Group Carbon Footprint reduced by 6% from 06/07 level, (35% less than 05/06 level).
- Landfill waste levels reduced by 5% from 06/07 level (75% less than 05/06 level), with commensurate increase in recycling.
- Existing recycling contract expanded to include bottles (glass + plastic), drinks cans and plastics.
- New Group Electricity Contract – starting on 1 October 2008 – will be via a 100% Green energy provider.
- New contract established regarding eco-friendly disposal of defective fluorescent tubes and control gear consumed by the group.

Employees
– Employee involvement. The group firmly believes that continuing success can only be achieved by an enthusiastic, motivated and well-trained workforce. Consequently, considerable resources are devoted to staff training. Departmental team briefings are held and a staff attitude survey is conducted regularly. Over 500 group employees either hold shares in the company or have options/ awards to acquire them through the group's various share option and long-term incentive schemes.

The vast majority of training and development is delivered by our in-house learning and development team who work closely with directors and managers across the whole business. This enables them to identify what development is required and design and deliver a wide variety of interventions to meet those needs.

As well as bespoke interventions, there is also a suite of 12 workshops covering a range of topics from negotiation skills to effective influencing. All employees are free to request any of these workshops, which encourages them to be proactive and take ownership of their own development.

Since 2003, the company, working in partnership with Dale Carnegie, has also taken over a hundred managers through a tailor-made leadership development programme, which encourages cross-functional collaboration and the identification of revenue generating/cost saving innovation projects.

The MBTI (Myers Briggs Type Indicator) has also been used effectively across the business to enhance personal and leadership development, team-building and communication.

– Consultation. Constructive relationships with the trade unions which represent the group's employees (principally USDAW and SATA) are encouraged. Elements of the group are covered by a collective bargaining arrangement with USDAW.

– Equal Opportunities. The group supports the principle of equal opportunities in employment and is opposed to all forms of discrimination, including those on the grounds of colour, race, nationality, ethnic or national origin, religion, gender, age, sexual orientation, marital status or disability.

Our selection processes for recruitment, promotion, training and development are non-discriminatory. We believe it is in the best interests of employees and the group to provide these opportunities to the most suitable candidates.

Applications for employment by disabled persons are welcomed and are fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of any employee becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Each year the group rewards and recognises significant contribution from its customer contact centre staff by inviting them to compete for a nomination to receive an award for outstanding customer service. The award ceremony is a 'Red-Carpet' event which is well received by all staff who are nominated for an award.

– Health and safety. The group's policy is to adhere to all relevant legislation to ensure, as far as is reasonably practicable, the health, safety and welfare at work of all employees and of other people working on our premises but not employed by the group. We endeavour to ensure that products and services used in the workplace or sold by us are designed so that they are safe and without risk when properly used. Pre-employment questionnaires, physiotherapy, audiometry, an improved management referral process and rehabilitation programs have enabled occupational health issues to be better controlled.

Cumulative group accident statistics for the last 12 months immediately prior to the publication of this report show a 27% reduction on the same period last year, with both reportable accidents and days lost through accident showing reductions.

Customers
One of the key factors of the group's success is the quality of its relationship with its customers. Regular customer satisfaction surveys are conducted, both directly and through third parties, to ensure that the group closely monitors the opinions and requirements of its customers. In addition, telephone enquiry and complaint calls received from customers are analysed and appropriate action taken to improve the levels of service offered to them.

Suppliers
The group sources products and services from across the world. A significant proportion of this expenditure is with suppliers with whom the group has a long-term relationship, which helps to provide a continually improving quality of product and service to customers, whilst reducing costs.

It is the group's policy to comply with the terms of payment agreed with its suppliers. Trade creditors of the group at 1 March 2008 represented 41 days (2007, 34 days) of purchases.

The group is aware of the potential social impact of its business dealings, particularly in developing countries. Our standard terms and conditions for the purchase of all goods for resale require that, in relation to the manufacture of merchandise, the supplier warrants that all labour, safety and other relevant laws in the country of manufacture will be strictly observed with respect to all workers at all stages of production.

Community
The group believes that it has a responsibility to invest in the communities in which it operates. The family, health and well-being programme, now in its fifth year, provides additional benefits for all our employees is actively supported and continues. The group maintains close links with the Christie Hospital in Manchester, the Marie Curie Foundation and the Retail Trust. The group encourages staff to participate in fundraising activities for these, and other, worthwhile causes and maximises the potential donation by matching the level of money raised by employees to double the size of the donation.

In the last financial year, via this method, more than £136,000 was raised for noteworthy causes such as the Cancer Research Foundation and MacMillan Cancer Support. The group has previously agreed to donate its redundant IT equipment to charities operating in third world and developing countries.

Charitable and political donations
During the year, the group made charitable donations of £114,392 (2007, £52,371) principally to local charities serving the communities in which the group operates. No political donations have been made (2007, nil).

Pension fund
The group continues to ensure that the N Brown Group Pension Fund is managed in accordance with best practice and current legislation, including the Pensions Act 1995. The fund's assets are administered by a trustee company which is controlled by a board of directors, all of whom have a vested interest in the performance of the fund, representing the interests of pension fund members, pensioners and N Brown Group plc. The fund's investments are managed by Aberdeen Asset Management Limited and Legal and General Assurance (Pensions Management) Limited and the actuarial and administration services are provided by Mercer Human Resource Consulting Limited.

The N Brown Group Pension Fund was closed to new entrants with effect from 31 January 2002. New employees joining the group after 31 January 2002 and existing employees who had not joined the N Brown Group Pension Fund as at that date, are entitled to join a stakeholder pension scheme providing a defined contribution pension arrangement, administered by Prudential Stakeholder Pensions.

As part of the B share return of value in early 2007, the directors also decided to increase the contributions towards the funding deficit in the N Brown Group Pension Fund by paying a one off contribution of £15 million at the same time that the return of value was made, followed by three further contributions of £4 million per annum for three years, with the final payment subject to review. The Pensions Regulator made a determination on 23 January 2007 to issue a clearance statement in relation to the return of value in view of the company's support of the pension scheme.

Directors' Report

Financial risk management, objectives and policies
The group is exposed to certain financial risks, namely interest rate risk, currency risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 20 on page 68. The group's risk management policies and procedures are also discussed in the Financial Review on page 11.

Change of control
There are a number of agreements that take effect, alter or terminate upon a change of control of the company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the group as a whole.

Director's service contracts are terminable by the company on giving 12 month's notice. There are no agreements between the company and its directors or employees that provide for additional compensation for loss of office or employment that occurs because of a takeover bid.

Tax status
The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Auditors
A resolution to reappoint Deloitte & Touche LLP as auditors to the company and to authorise the directors to fix their remuneration will be proposed at the annual general meeting on 1 July 2008.

Liability
All the information supplied in the Chairman's Statement on pages 4 to 5, the Chief Executive's Review on pages 6 to 9, Financial Review on pages 10 to 11, Remuneration Report and the Corporate Governance Report on pages 38 to 49 form part of this Directors' Report. Any liability for the information is restricted to the extent prescribed in the Companies Act 2006.

Directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRS) and have chosen to prepare company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements in accordance with IFRS, UK GAAP, the Companies Act 1985 and Article 4 of the IAS Regulation.

In the case of UK GAAP accounts, the directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed.

In the case of IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors at the date of approval of this report confirms that:

– So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
– The directors have taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

By order of the board

Philip F Harland LL.B (Hons) (Solicitor)
Secretary

9 May 2008

Responsibility Statement
We confirm that to the best of our knowledge:

(a) the financial statements prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company and group;
(b) the management report incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the company and the group, together with a description of the principal risk and uncertainties that they face.

By order of the board

Alan White
Chief Executive

Dean Moore
Finance Director

9 May 2008

Corporate Governance Report

Combined Code
The board is committed to high standards of corporate governance and compliance with the principles in the Combined Code on Corporate Governance issued by the UK Financial Reporting Council in 2006 (the "Code"). The purpose of this statement is to explain how the company has applied the principles of good governance set out in the code.

For the year in review the company has been in compliance with the provisions set out in section 1 of the Code.

Board composition
The board currently comprises seven members, five of whom are non executive. There is a clear division of responsibilities between the Chairman, Lord Alliance of Manchester CBE, who is responsible for the effective operation of the board and the Chief Executive, Alan White, who is responsible for the group's operational performance.

The five non executive directors comprise the Chairman, Lord Alliance of Manchester CBE, Nigel Alliance OBE, both of whom are not regarded by the board as independent under the provisions of the Combined Code, and Ivan Fallon, Lord Stone of Blackheath and John McGuire all of whom are considered by the board to be independent. The senior independent non executive director is Ivan Fallon.

Ivan Fallon was appointed to the board in October 1994. Ivan Fallon has served on the board for a period beyond which the Code suggests that his independence may be affected. The board, nonetheless, holds Ivan Fallon to be independent and that his broad-based commercial experience, together with his extensive knowledge of the group's businesses gained during his thirteen years as a non executive director with the group is invaluable to the board.

The board considers that it had a majority of independent non executive directors during the year. It is considered that the composition of the board during the year had the necessary balance of executive and non executive directors providing the skills and experience appropriate for the requirements of the business.

All directors joining the board are required to submit themselves for election at the next following annual general meeting. They are subject to re-election every third year thereafter. All non executive directors have written letters of appointment. These letters of appointment stipulate terms of indefinite duration terminable on six months notice. All letters of appointment are subject to early termination provisions, for example allowing earlier termination without compensation in the event a director is not re-elected upon retirement by rotation in accordance with the articles. In line with the Code all non executive directors who have served for nine years will be subject to annual re-election. As such, Lord Alliance of Manchester CBE, Nigel Alliance OBE and Ivan Fallon will be subject to re-election at the forthcoming AGM. Sufficient biographical detail will be provided in the circular accompanying the AGM notice to enable shareholders to make an informed decision on any re-election resolution. All appointments to the board are made on merit against objective criteria and with the intention of ensuring that appointees have sufficient time available to devote to the business of the board.

Details of directors' contract terms are shown in the Remuneration Report on page 45.

Board operation
An effective board of directors leads and controls the group. The members of the board are shown on page 12 of this report. The board met 9 times during the year. Director's attendance at board meetings was as follows:

	Attendance	Apologies
Lord Alliance of Manchester CBE	7	2
Ivan Fallon	8	1
Alan White	9	0
Lord Stone of Blackheath	9	0
Nigel Alliance OBE	9	0
Dean Moore	9	0
John McGuire	9	0

The board is collectively responsible for providing effective leadership and promoting the success of the group. It has a formal schedule of matters reserved for its approval (a copy of which is available on the company's website, www.nbrown.co.uk). This document includes decisions on all major strategic issues, approval of financial statements, capital and operating expenditure, investment, treasury and dividend policy, overseeing the group's risk control procedures, board membership and that of its committees. Currently, at least one of its meetings in each year (held over two days) is entirely devoted to the development and review of corporate strategy and the group's three year plan. The board delegates the day-to-day management of the group to the J D Williams & Company Limited operational board.

Comprehensive briefing papers including management accounts, broker analyses and shareholder analyses are circulated to each director in a timely manner not less than seven days prior to each board meeting. Procedures are in place to enable all directors to obtain independent professional advice in respect of their fiduciary duties and obligations and all board members have full and direct access to the company secretary, who is a fully admitted solicitor and who attends all board and committee meetings. The Secretary is charged with providing advice to the board on regulatory issues, matters of corporate governance, continuing director education and ensuring the timely provision of information.

Since the last report the board has once again undertaken a formal appraisal of its own performance, that of the Chairman and that of its committees. The process consisted of individual assessment by detailed questionnaire completed by all directors. The results were compiled by the company secretary for review by the Chairman and then joint review by the board. The performance of the Chairman was appraised by the senior non executive director in consultation with the other board members. The Chief Executive's performance was appraised by the Chairman and the non executive directors. The performance of the Finance Director (the only other executive director on the board) was carried out in the same manner as the Chief Executive.

The process of evaluation is designed to ascertain whether each director continues to contribute effectively and is devoted to the role.

Committee structure
The board has delegated specific authorities to a number of sub committees to deal with specific aspects of management and control of the group. All of these committees meet regularly and have formal written terms of reference

Corporate Governance Report

which are available for inspection on request and are also available on the company's website. The minutes of the meetings of these committees are circulated to all committee members in advance of the next following committee meeting, at which they are ratified. The following committees of the board have been established:

- Audit committee
- Remuneration committee
- Nomination committee

Twice each year the Chairman of the committee makes a formal report to the board of directors concerning the work carried out by the committee and its recommendations to the board.

Audit committee
The audit committee consists entirely of independent non executive directors. The current chairman is John McGuire. The other members are Ivan Fallon and Lord Stone of Blackheath. All members of the audit committee are regarded as having recent and relevant financial experience. The committee meetings are attended by the Chief Executive, the Finance Director and the Head of Internal Audit as required.

The committee met two times in the year. Committee attendance was as follows:

	Attendance	Apologies
Lord Stone of Blackheath	2	0
John McGuire	2	0
Ivan Fallon	1	1

The audit committee considers the nature and scope of the audit process (both internal and external) and its effectiveness. The committee reviews and approves the internal audit programme, meets with the external auditors and considers the annual and interim financial statements before submission to the board. The committee also reviews the group's system of internal control and reports its findings twice yearly to the board. Each year the committee holds a meeting to which certain senior employees of the group are invited. This meeting is not attended by the executive directors or the chairman. In addition the committee meets with the external auditors, in the absence of the executive directors, at least twice a year. The chairman of the committee also holds "ad-hoc" meetings with the Finance Director, the external auditors or the group's internal audit team as and when required. In the year under review four such meetings have taken place.

The board consider that the processes of the audit committee comply with the guidance issued by the Smith Committee.

As stated above, part of the role of the audit committee is to review the independence of the company's auditors. The company's external auditors, Deloitte & Touche LLP have provided non-audit services to the company in the form of tax, regulatory and remuneration advice. The audit committee is aware that providing audit and non-audit advice could give rise to a potential conflict of interest. To address this concern recognised by the audit committee, when the need has arisen the remuneration committee has sought advice on executive remuneration issues, where appropriate, from independent advisors who do not provide the group with other services (further details are set out in the Remuneration Report on page 41). Some due diligence and other corporate strategic work is handled by other external advisors. The audit committee has concluded that in the circumstances, it is satisfied that the independence of the auditors, Deloitte & Touche LLP, has not been compromised.

Remuneration committee
The remuneration committee consists entirely of independent non executive directors. The current chairman is Ivan Fallon. The other members are Lord Stone of Blackheath and John McGuire.

The remuneration committee met four times this year. Member's attendance was as follows:

	Attendance	Apologies
Lord Stone of Blackheath	4	0
John McGuire	4	0
Ivan Fallon	4	0

The purpose of this committee is to review and formulate the company's remuneration policy and consider how the company is applying the principles of the Code in respect of directors' remuneration.

Further details are set out in the remuneration report on pages 41 to 49 which will be put to an advisory vote by the members at the company's annual general meeting.

Nominations committee
The nominations committee is chaired by Lord Stone of Blackheath. The other members are currently Lord Alliance of Manchester CBE, Ivan Fallon and John McGuire. The formal terms of reference for this committee require it to make recommendations to the board for appointments of directors (including directors of the operating company board J D Williams & Company Limited) and other senior executive staff. Where appropriate, the chief executive and company secretary attend meetings of the nominations committee.

The nominations committee evaluates board candidates on merit, against objective criteria, taking into account the skills and experience required. Where appropriate, external search consultants are enlisted.

The company secretary is responsible for the induction of new directors. New directors are provided with a comprehensive pack of information (including terms of reference, information regarding the business and guidance on their roles and duties as directors) and meetings/site visits with key employee contacts are arranged as appropriate.

The nominations committee had no occasion to meet this year.

Internal control
The directors have overall responsibility for ensuring that the group maintains a sound system of internal control, to give them reasonable assurance regarding effective and efficient operations and compliance with laws and regulations. There are, of course, inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against loss or failure. The board has established a continuous process for identifying, evaluating and managing the significant risks the group faces.

The board continues to operate a formal risk management process throughout the group. A cyclical programme of assessments of operational, financial and other business risks has been implemented at each principal operating subsidiary of the group (each cycle comprising at least two reviews annually), which takes into account the internal controls that exist to mitigate the impact of those risks. Any significant

Corporate Governance Report

residual risks are then evaluated and action plans to further reduce their impact are initiated and monitored where necessary.

Seventeen such cycles have been carried out to date. A risk management committee, which met three times last year, oversees the above process and reports progress to the audit committee, which thereafter reports to the board and draws all appropriate matters to its attention. The risk committee, together with the audit committee, is also responsible for ensuring that the principles of sound risk management and effective internal control are fully embedded within the organisation, a process which the board, and the audit committee, has satisfied itself has continued to operate during the year.

In pursuance of the above, the board of directors (through the processes of the audit committee) has reviewed the effectiveness of the system of internal control for the year under review. As well as receiving regular reports from the risk management committee described above, the board (through the audit committee) discusses with the external auditors the results of their work and any resulting internal control issues, and also reviews the work carried out by the internal audit department, including monitoring the implementation of actions arising from previous audits.

The internal audit function is independent of management and the head of the function has direct access to the chief executive and the chairman of the audit committee. Internal audit plans are discussed and agreed annually between the head of internal audit and the audit committee.

Appropriate internal financial controls are operated throughout the group, some of which have already been referred to in this statement. Other examples include the existence of a well defined group organisation structure, with clear lines of responsibility and explicit authority delegated to divisional boards and executive management, and a comprehensive financial reporting system which communicates plans, budgets and monthly results to relevant levels of management, including the board.

The company has complied and continues to comply with the provisions of the code on internal controls, and the relevant parts of the Turnbull and Smith Guidance. There is an ongoing process in place for identifying, evaluating and managing the significant risks facing the group that has been in place throughout the year under review and to the date of approval of the accounts. This process has been reviewed regularly by the audit committee and the board, and accords with guidance appended to the Code. The board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Relations with investors

The company believes in the importance of good communications with shareholders, both institutional and individual investors. Institutional investors, fund managers and analysts are kept informed of the company's overall strategy through regular meetings and 'roadshows'. All non executive directors are kept informed of shareholders' views through detailed feedback and analyst's and broker reports tabled at each board meeting. The senior independent director is available to meet with, and understand, the views of major shareholders.

The company aims to ensure that all shareholders have full and timely access to information it discloses and that shareholders have opportunities to meet with management through ad hoc and one-to-one meetings at least twice a year at the announcement of results and also at events such as the analysts dinner and financial presentation held in January 2008 and by constructive use of the AGM. As well as being provided with a copy of the annual report and results announcements, our website provides shareholders with comprehensive and accessible information about the group.

Remuneration Report

Introduction
This report has been prepared in accordance with the Companies Act 1985 as amended by the Directors' Remuneration Report Regulations 2002 ("the regulations"). This report also meets the relevant requirements of the listing rules of the Financial Services Authority and describes how the board have applied the principles of good governance relating to directors' remuneration.

This report will be put to an advisory vote of the company's shareholders at the annual general meeting on 1 July 2008. The auditors are required to report on the 'audited' section of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the regulations). The report is therefore divided into separate sections for audited and unaudited information.

Unaudited information:

Remuneration committee
During the financial year, the remuneration committee of the board ("the committee") comprised Ivan Fallon (chairman), Lord Stone of Blackheath and John McGuire, all of whom are non executive directors and considered by the company to be independent. The committee members have no personal financial interest (other than as shareholders) in matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business. The committee has formal written terms of reference which are available for shareholders to inspect at the registered office of the company and on the corporate website. The committee met three times during the year in question.

In setting remuneration levels of the executive directors the committee had regard to the findings of a remuneration survey and research issued generally by Deloitte & Touche LLP, the company's auditors, who have also provided audit and tax services to the group, Pinsent Masons LLP provide legal advice in relation to the share incentive arrangements and have also provided general legal advice to the group. The committee received advice concerning the chief executive's remuneration and specifically his pension arrangements from Mercer Human Resource Consulting Limited, AON Consulting Limited, Mr. Charles Evers Pension Consultant, Deloitte & Touche LLP and Pinsent Masons LLP. The latter two are general advisers to the company who were not specifically appointed by the committee. Mercer Human Resource Consulting Limited, AON Consulting Limited and Charles Evers were specifically appointed by the committee. In determining executive directors' remuneration for the year, the committee consulted Alan White, the Chief Executive. No director played any part in any discussion about his own remuneration.

The board have reviewed the group's compliance with the Combined Code 2006 ("the Code") on remuneration related matters. It is the opinion of the board that the group complied with the remuneration related aspects of the Code during the year.

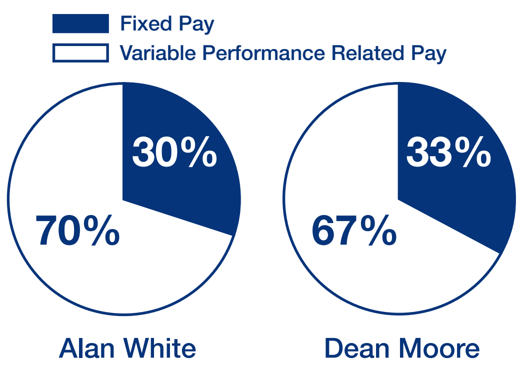
Remuneration policy for executive directors and senior executives
The committee's policy is designed to ensure that the main elements of the remuneration package attract, motivate and retain executive directors and senior executives by offering them competitive remuneration packages, which are prudently constructed and linked to strengthen individual and corporate performance targets. The normal remuneration package for executive directors comprises basic salary, an annual performance-related bonus (including a deferred element with a matching share award subject to a further performance condition), a long-term incentive program, a pension and other benefits in kind including a company car allowance and medical insurance.

The committee regularly reviews the structure of the executive package, including the balance between fixed and variable pay to ensure that the remuneration remains competitive and challenging. The policy will continue to apply for the current financial year. The committee will review the policy on an annual basis and recommend changes as and when appropriate. The committee is entitled to consider corporate performance on Environmental, Social and Governance ('ESG') issues as well as any other pertinent issue when settling the remuneration of any executive director. The committee is of the opinion that the structure of the incentive arrangements for senior managers does not raise ESG risks by inadvertently motivating irresponsible behaviour.

A review of the bonus structure and the use of long-term share based incentives was undertaken in the year. The charts below demonstrate the balance between fixed and variable performance based pay for each executive director:

Basic salary
When determining the salary of the executive directors the committee has taken into consideration the levels of base salary for similar positions with comparable status, responsibility and skills in competitor organisations of broadly similar size and

Analysis of Performance vs Non Performance element of Remuneration Package



complexity, in particular those existing in the home shopping and retail market sectors; the performance of the individual executive director; the individual executive director's experience and responsibilities; and the pay and conditions throughout the group. Salaries and conditions are reviewed on an annual basis.

Annual performance-related bonus
Each executive director and senior executive participates in one of a number of annual performance-related bonus schemes. Each scheme is designed to stretch the performance of the executive and is linked to the growth in annual profit, the achievement of other business targets and the achievement of personal objectives. These targets are reviewed and agreed by the committee at the beginning of each financial year to ensure that they are appropriate to the current market conditions, the objectives of the company and that they continue to remain stretching and challenging. Payments under the annual bonus schemes consist of an immediate cash element, a deferred element in shares (net of tax) and a 1:1 matching share element based on the pre-tax value of the bonus used to acquire the deferred shares. Matching shares are released two years from their date of award provided the executive retains his deferred shares and remains in employment. Previously the provision of the matching shares was not subject to the satisfaction of any additional performance requirements. It was the opinion of the committee that the difficulty in satisfying the underlying performance requirements to earn the annual bonus was commensurate with the potential value of the maximum immediate and deferred bonus payable. However, since 2006 the grant of matching shares has been made subject to an additional performance requirement for all future grants. The matching shares will not be issued unless the growth in earnings per share is equal to or greater than the growth of the retail price index over the deferral period. The levels of bonus earned for this year are set out in the following table:

Name	Alan White	Dean Moore
2007/08 Bonus & Deferred Shares Paid	£465,905	£246,875
2007/08 Contingent Matching Share Award	£116,476	£61,719
Total 2007/08 Bonus & Matching Share Award as a %age of Salary	112%	116%

The performance targets used for 2007/08 and 2008/09 are based upon a combination of profit, an increase in the volumes of customers placing an order and the achievement of personal objectives. The maximum potential bonus payable to an executive director for 2007/08 was 100% of basic salary of which, if achieved, 75% will be immediately payable in cash and 25% will be deferred. It has been agreed to keep these levels for 2008/09.

Share incentives
It is the policy of the committee that executive directors and senior executives generally receive an annual award under either the long-term incentive plan or one of the company's executive share option schemes. Before allowing any individual to participate in both the long-term incentive plan and one of the executive share option schemes in any one year, the committee will carefully assess the expected value of the combined total award, particularly if it exceeds the maximum value possible under either scheme individually. In addition, it is the committee's policy only to grant combined grants where there are some or all of the following circumstances:

- to minimise the P&L cost to the company and dilutive cost for shareholders for a given share commitment to an executive;
- where different performance conditions apply to awards and options; or
- on initial recruitment of a senior executive.

For the year under review no combined awards were made. In respect of share awards the performance condition is based upon Total Shareholder Return ("TSR").

TSR as a performance condition is considered appropriate for the following reasons:

- market research indicated that TSR is a more appropriate and common measure for long-term incentive arrangements within FTSE 250 companies;
- a TSR performance condition is more closely aligned with shareholder interests than EPS Growth;
- a TSR performance condition more closely evaluates company performance against a basket of comparator companies in the same sector; and
- a TSR performance condition is more easily understood and measurable by eligible executives and is considered to be a suitably challenging measure in the current retail sector trading environment.

Remuneration Report

The committee determines whether the TSR performance conditions for share awards and options are satisfied by ranking the company over a 3 year performance period measured from the date of grant against a matrix of comparator companies currently comprising Alexon, Blacks Leisure, Debenhams, DSG International, Findel, Flying Brands, French Connection, Home Retail Group, Homestyle, Instore, JJB Sports, Kesa Electrical, Laura Ashley, Marks & Spencer, Moss Bros Group, Mothercare, Next, Stylo and Woolworths. The committee determines which companies are to be added or removed from this comparator group. For 2005 awards (vesting 2008) a ranking in the lower quartile will mean that no award will vest, a 10% to 50% award will vest in the third quartile depending on rank, a 60% to 95% award will vest in the second quartile depending on rank and a 100% award will vest in the upper quartile regardless of rank.

For 2006 awards and onwards the committee determined that if TSR is below the median ranking company there will be no entitlement to any of the award. For median performance the entitlement will be 50% of the maximum award rising pro rata in the second quartile to 90% depending on rank. A 100% award will vest upon the company ranking in the upper quartile regardless of rank.

For share option schemes a performance condition of growth in earnings per share ("EPS") applies (see below).

Long-term incentive share plan
Executive directors and certain senior executives are eligible to participate in the group's long-term incentive share plan. The plan provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby better aligning the interests of shareholders and executives.

Long-term Incentive Share Plan	Description
Maximum Annual Award (%age Salary)	150%
Nature of Right	To receive a fixed number of shares subject to the satisfaction of conditions
Performance Period	Three years
Performance Requirements	TSR subject to decile ranking of company against comparator group of companies calculated over a performance period of 3 years
Additional Features	None

Executive directors are normally eligible to receive up to 75% of their salary as an award under the LTIP scheme. For the award years 2004 to 2007 (inclusive) Alan White was granted LTIP awards equivalent to 105% of his salary.

Executive share option schemes
The rationale for executives participating in the option schemes is the same as for their participation in the LTIP.

Term	Description
Schemes	Inland Revenue Approved Option Scheme and the 2000 Unapproved Option Scheme – Aggregate under both Approved and Unapproved Schemes
Maximum Annual Award	200% of remuneration (salary, bonus and commission) (%age Remuneration) "Normal" maximum 100% of remuneration
Nature of Right	A right to purchase a fixed number of shares at the market price on the date of grant subject to the satisfaction of conditions
Performance Period	Three years from the date of grant
Performance requirements	Growth in EPS equal to, or greater than, the growth of the Retail Price Index ("RPI") +9.2% (equivalent to 3% p.a. compound growth) over the three year performance period

Remuneration Report

All employee share schemes
The group operates an Inland Revenue approved savings related share option scheme for the benefit of group employees, provided they have completed at least six months' service. Eligible employees, including executive directors and senior executives, may be granted options over the company's shares at a discount of up to 20% to the prevailing market price at the time of grant of the option, which (subject to certain conditions) can be exercised after either three or five years.

Over 500 eligible group employees currently participate in the scheme.

An all-employee share ownership plan (now known as a share incentive plan) was established and approved by shareholders in July 2000. No invitations or awards have yet been made under this plan.

Pension
The group operates a number of pension schemes for the benefit of all eligible employees. Alan White is a member of the N Brown Group Pension Fund ("the fund"), which is an Inland Revenue registered defined benefit scheme. The group has also made an unregistered promise of benefits in addition to those of the fund such that overall the group provides for him, at his normal retirement age of 60, a pension accrual rate of 1/40th of pensionable salary (to give a maximum pension of 2/3 of pensionable salary at normal retirement date, including retained benefits and benefits earned in the fund prior to 1999). He is also provided with a lump sum death benefit of four times pensionable salary. The pension is calculated on a final salary basis for service prior to 30 June 2005 and from then on a career average revalued earnings basis. Provided Alan White remains in service until August 2010, his previous period of service with the group from 1985 to 1999 will be included in full in the calculation of his current pension. Should Alan White not remain in service until August 2010 his previous service shall count towards the calculation of his current pension on a pro rata basis. In each case the pension will be subject to the above two-thirds maximum. In the case of early retirement the whole pension will be reduced for early payment in line with the fund rules and other factors agreed with Alan White. On retirement from the group, both Mr White and the group have an option that any pension payable to Mr White in excess of the amount payable under the registered scheme can be paid as a single lump sum. No part of a director's pensionable salary includes remuneration other than basic pay.

All members of the fund currently pay contributions at the rate of 8% of pensionable salary. The group bears the cost of providing the lump sum death benefit and the balance of contributions necessary to finance fund benefits.

The fund is now closed to new entrants. Eligible employees who would otherwise have been entitled to join the fund are now able to join a new defined contribution pension scheme.

Dean Moore is a member of the defined contribution scheme. Members of this scheme pay contributions at the rate of 6% of pensionable salary. The company contributes 6% of Dean Moore's annual salary into the defined contribution scheme.

Benefits in kind
Executive directors receive the following additional benefits:

- a car and fuel allowance; and
- medical insurance

Directors' contracts
It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of 12 month's notice.

The policy, on termination, is that the company does not make payments beyond its contractual obligations. In addition, executive directors are expected to mitigate their loss or, within existing contractual constraints, accept phased payments. The committee seeks to ensure that there are no unjustified payments for failure. None of the executive directors' contracts provides for liquidated damages. There are no special provisions contained in any of the executive directors' contracts that provide for longer periods of notice on a change of control of the company. Further, there are no special provisions providing for additional compensation on an executive director's cessation of employment with the company.

Name	Potential payment on termination of contract	Potential payment upon company takeover	Potential payment in event of liquidation
Alan White	12 months salary	Nil (unless terminated)	Nil (unless terminated)
Dean Moore	12 months salary	Nil (unless terminated)	Nil (unless terminated)

Remuneration Report

Non executive directors are retained on letters of appointment. All non executive appointments are for indefinite terms terminable upon six months notice and are subject to successful re-election upon retirement by rotation as required by the company's articles of association. Termination carries no right to compensation other than that provided for by general law.

The details of directors' contracts are summarised below:

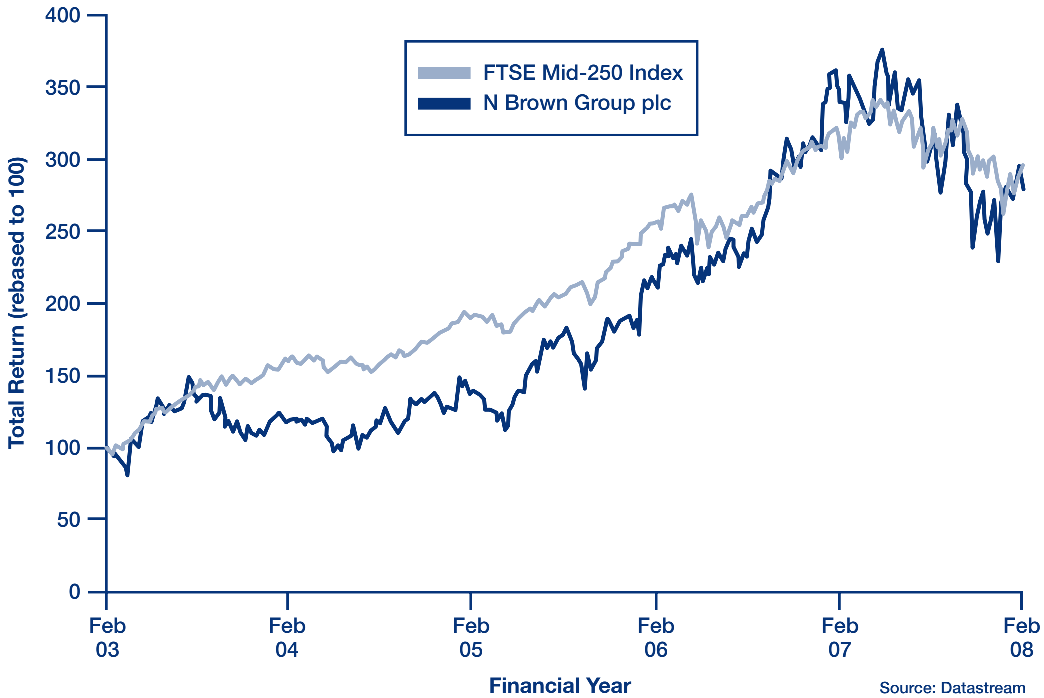
Name	Status	Date of contract/letter	Unexpired term	Notice period
Lord Alliance of Manchester CBE	non executive	16 May 2007	n/a	6 months
Alan White	executive	10 August 2002	n/a	12 months
Dean Moore	executive	20 December 2004	n/a	12 months
Nigel Alliance OBE	non executive	16 May 2007	n/a	6 months
Ivan Fallon	non executive	30 May 2007	n/a	6 months
Lord Stone of Blackheath	non executive	30 May 2007	n/a	6 months
John McGuire	non executive	16 May 2007	n/a	6 months

Non executive directors
All non executive directors have specific terms of engagement and their remuneration is determined by the board within the limits set by the articles of association and based on independent surveys of fees paid to non executive directors of similar companies.

The basic fee paid to each non executive director in the year was within the range £17,000 – £35,000 per annum. A further fee of £5,000 is payable for additional work performed in respect of the chairmanship of the remuneration, audit and nominations committee. The Senior Non Executive director also receives an additional fee of £3,000 in recognition of the further duties that post entrails. Non executive directors cannot participate in any of the company's share incentive schemes or performance based plans and are not eligible to join the company's pension scheme.

Performance graph
The graph shows the company's 5 year performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE Mid-250 Index, also measured by TSR. The company is a member of this index and accordingly it is felt to be the most appropriate comparator group for this purpose.

Total Shareholder Return Performance: N Brown vs FTSE 250



Source: Datastream

Remuneration Report

Audited information:

Directors' remuneration and interests

Emoluments

The individual elements of directors' emoluments for the year are as follows:

	Salaries / fees £'000	Taxable benefits[1] £'000	Performance-related bonuses[2] £'000	2008 total £'000	2007 total £'000
Executive (salaries)					
Alan White	519	7	466	**992**	853
Dean Moore	266	2	247	**515**	459
Non executive (fees)					
Lord Alliance of Manchester CBE	17	–	–	**17**	17
Nigel Alliance OBE	18	–	–	**18**	18
Ivan Fallon	40	–	–	**40**	36
Lord Stone of Blackheath	35	–	–	**35**	33
John McGuire	37	–	–	**37**	33
	932	9	713	**1,654**	1,449

1. Taxable benefits comprise the provision of private medical cover and life assurance cover.
2. Included in the performance-related bonus awards stated above are £116,476 for Alan White and £61,719 for Dean Moore which (after deduction of income tax) are shortly due to be transferred to the deferred annual bonus scheme referred to above.

Remuneration Report

Pensions
Details of directors' accrued pension entitlements under the group's defined benefit schemes are as follows:

	Accrued pension at 24 Feb 2007[1] £'000	Increase during year[2] £'000	Accrued pension at 01 Mar 2008[1] £'000	Transfer value of increase[2,3,4] £'000	Transfer value of accrued pension at 24 Feb 2007[3] £'000	Increase in transfer value during year[3,4,5] £'000	Transfer value of accrued pension at 1 Mar 2008[3] £'000
Alan White	157	27	190	348	1,821	845	2,666

1. Pension entitlements shown are those that would be paid annually on retirement, based on service to the end of the year or leaving date if earlier.
2. Increase stated net of inflation.
3. Transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note 11.
4. Stated after deduction of member's contributions.
5. The change in the transfer value includes the effects of fluctuations in the transfer value due to factors beyond the control of the company and directors, such as gilt yield changes.
6. Members of the scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above table.

Contributions paid by the company into the group's defined contribution scheme during the year in respect of Dean Moore amounted to £14,610 (2007, £13,133).

Share options
Details of directors' share options are as follows:

	At 24 Feb 2007	Granted in year	Lapsed in year	Exercised in year	At 1 Mar 2008	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White									
SAYE	15,461	–	–	–	15,461	103.0p		01/08/08	31/01/09
	15,461	–	–	–	15,461				
Dean Moore									
Executive	144,000	–	–	(144,000)	–[1]	125.0p	347.5p	28/02/07	10/02/14
SAYE	18,579	–	–	–	18,579	88.0p		01/08/09	31/01/10
	162,579	–	–	(144,000)	18,579				

1. Exercise subject to achievement of minimum 3% p.a. average annual growth in the group's earnings per share over and above that of the Retail Price Index, measured over the three year period commencing with the year in which the option was granted.

The total gain made by Dean Moore on the exercise of the share options during the year was £320,400.

The market price of the company's shares at 1 March 2008 was 250.5p (2007, 334.5p) and the range during the year was 205p to 350p.

Deferred annual bonus share awards

Details of awards made to the directors under the group's deferred annual bonus scheme are as follows:

	At 24 Feb 2007	Awarded in year	Lapsed in year	Exercised in year	At 1 Mar 2008	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	30,351	–	–	(30,351)	–	135.0p	218.0p	27/05/07	26/11/07
	36,071	–	–	–	36,071	212.0p		26/05/08	25/11/08
	–	29,465	–	–	29,465	344.0p		25/05/09	24/11/09
	66,422	29,465	–	(30,351)	65,536				
Dean Moore	15,597	–	–	(15,597)	–	135.0p	336.0p	27/05/07	26/11/07
	18,000	–	–	–	18,000	212.0p		26/05/08	25/11/08
	–	15,381	–	–	15,381	344.0p		25/05/09	24/11/09
	33,597	15,381	–	(15,597)	33,381				

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year were £66,165 and £52,406 respectively.

Long term incentives

Details of awards of shares made to the directors are as follows:

	At 24 Feb 2007	Awarded in year	Lapsed in year	Exercised in year	At 1 Mar 2008	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	250,000	–	–	(250,000)	–[1]	102.0p	245.0p	26/08/07	26/02/08
	200,000	–	–	–	200,000[1]	135.0p		28/06/08	27/12/08
	59,677	–	–	–	59,677[1]	135.0p		08/02/09	07/08/09
	154,769	–	–	–	154,769[1]	207.5p		13/06/09	12/12/09
	61,907	–	–	–	61,907[1]	268.0p		19/10/09	18/04/10
	–	150,560	–	–	150,560[1]	325.0p		18/06/10	17/12/10
	–	2,180	–	–	2,180[1]	322.0p		16/07/10	15/01/11
	726,353	152,740	–	(250,000)	629,093				
Dean Moore	136,029	–	–	(136,029)	–[1]	102.0p	245.0p	26/08/07	26/02/08
	113,055	–	–	–	113,055[1]	135.0p		28/06/08	27/12/08
	80,623	–	–	–	80,623[1]	207.5p		13/06/09	12/12/09
	–	57,664	–	–	57,664[1]	325.0p		18/06/10	17/12/10
	329,707	57,664	–	(136,029)	251,342				

1. Exercise is subject to performance condition geared to Total Shareholder Return.

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year were £612,500 and £333,271 respectively.

Remuneration Report

Interests

Directors' interests in shares of the company are as follows:

	At 1 Mar 2008 Ordinary shares of 11$^1/_{19}$p each	At 24 Feb 2007 Ordinary shares of 11$^1/_{19}$p each
Lord Alliance of Manchester CBE	86,525,232	86,525,232
Lord Alliance of Manchester CBE (non beneficial)	8,512,737	8,512,737
Alan White	359,772	211,742
Dean Moore	119,405	21,335
Nigel Alliance OBE	31,489,268	31,489,268
Ivan Fallon	–	–
Lord Stone of Blackheath	6,333	6,333
John McGuire	9,047	9,047

Together with other employees and former employees of the group, the executive directors are potential beneficiaries of the following trusts, and as such are deemed to have a beneficial interest in the following shares of the company held by these trusts:

	At 1 Mar 2008	At 24 Feb 2007
N Brown Group plc No. 2 Employee Share Ownership Trust	70,247	16,195

There have been no changes in the above interests of the directors between the year end and 30 April 2008.

Approval

This report was approved by the board of directors on 9 May 2008 and signed on its behalf by:

Ivan Fallon
Chairman of the remuneration committee

Independent Auditors' Report – Group Accounts

To the members of N Brown Group plc
We have audited the group financial statements of N Brown Group plc for the 53 week period ended 1 March 2008, which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, reconciliation of operating profit to net cash from operating activities, and the related notes 1 to 34. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of N Brown Group plc for the 53 week period ended 1 March 2008.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the directors' report.

Our responsibility is to audit the group financial statements and the part of the remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards to the group financial statements, Article 4 of the IAS regulation. We report to you if, whether in our opinion, the information given in the directors' report is consistent with the group financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements and the part of the remuneration report to be audited.

Opinion
In our opinion:

- the group financial statements give a true and fair view, in accordance with those IFRS's adopted by the European Union, of the state of the group's affairs as at 1 March 2008 and of its profit for the 53 week period then ended;
- the group financial statements and the part of the directors' remuneration report required to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS regulation; and
- the information given in the directors' report is consistent with the group financial statements.

Separate opinion in relation to IFRSs
As explained in note 2 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board. In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs at 1 March 2008 and of its profit for the 53 week period then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

9 May 2008

Consolidated Income Statement

For the 53 weeks ended 1 March 2008	Note	2008 £m	2007 £m
Revenue – continuing operations	3	**610.9**	523.8
Operating profit – continuing operations	5	**91.8**	76.3
Investment income	7	**4.2**	2.7
Finance costs	8	**(19.8)**	(11.3)
Fair value adjustments to financial instruments	19	**1.8**	(2.4)
Profit before taxation		**78.0**	65.3
Taxation	9	**(22.2)**	(18.5)
Profit for the year from continuing operations		**55.8**	46.8
Profit/(loss) for the year from discontinued operations	10	**1.1**	(1.1)
Profit attributable to equity holders of the parent		**56.9**	45.7
Earnings per share from continuing operations	12		
Basic		**20.75p**	15.86p
Diluted		**20.67p**	15.77p
Earnings per share from continuing and discontinued operations			
Basic		**21.16p**	15.48p
Diluted		**21.08p**	15.40p

Consolidated Statement of Recognised Income and Expense

For the 53 weeks ended 1 March 2008	Note	2008 £m	2007 £m
Exchange differences on translation of foreign operations	26	**0.8**	0.4
Actuarial gains on defined benefit pension schemes		**7.9**	8.3
Tax on items recognised directly in equity		**(1.0)**	(0.5)
Net income recognised directly in equity		**7.7**	8.2
Profit for the year		**56.9**	45.7
Recognised income for the year attributable to equity holders of the parent	27	**64.6**	53.9

Consolidated Balance Sheet

As at 1 March 2008	Note	2008 £m	2007 £m
Non-current assets			
Intangible assets	13	**30.9**	30.9
Property, plant & equipment	14	**70.5**	68.9
Deferred tax assets	21	**7.1**	11.3
		108.5	111.1
Current assets			
Inventories	16	**68.1**	54.9
Trade and other receivables	17	**406.2**	359.2
Derivative financial instruments	19	**0.1**	–
Cash and cash equivalents	29	**50.8**	40.0
		525.2	454.1
Total assets		**633.7**	565.2
Current liabilities			
Bank overdrafts	18	**(0.2)**	(0.2)
Trade and other payables	22	**(103.6)**	(83.7)
Derivative financial instruments	19	**–**	(1.7)
Dividends declared	23	**–**	(79.9)
Current tax liability		**(13.2)**	(18.6)
		(117.0)	(184.1)
Net current assets		**408.2**	270.0
Non-current liabilities			
Bank loans	18	**(250.0)**	(143.8)
Retirement benefit obligation	33	**(5.8)**	(27.7)
Deferred tax liabilities	21	**(12.4)**	(7.1)
		(268.2)	(178.6)
Total liabilities		**(385.2)**	(362.7)
Net assets		**248.5**	202.5
Equity			
Share capital	23	**30.0**	29.6
Share premium account	24	**11.0**	10.3
Own shares	25	**(0.1)**	–
Foreign currency translation reserve	26	**1.2**	0.4
Retained earnings	27	**206.4**	162.2
Total equity		**248.5**	202.5

The financial statements were approved by the board of directors on 9 May 2008 and signed on its behalf by:

Alan White
Dean Moore
Directors

Consolidated Cash Flow Statement

For the 53 weeks ended 1 March 2008	Note	2008 £m	2007 £m
Net cash from operating activities		**31.7**	42.8
Investing activities			
Purchases of property, plant and equipment		**(8.8)**	(12.9)
Purchases of intangible fixed assets		**(6.7)**	(8.0)
Acquisition of subsidiary		**–**	(7.3)
Disposal of subsidiary	28	**3.3**	–
Interest received		**1.5**	1.0
Net cash used in investing activities		**(10.7)**	(27.2)
Financing activities			
Interest paid		**(16.2)**	(8.0)
Dividends paid		**(101.4)**	(19.6)
Increase in bank loans		**106.2**	–
Proceeds on issue of share capital		**0.7**	0.5
Proceeds on issue of shares held by ESOT		**0.5**	0.4
Net cash used in financing activities		**(10.2)**	(26.7)
Net increase/(decrease) in cash and cash equivalents		**10.8**	(11.1)
Cash and cash equivalents at beginning of year		**40.0**	51.1
Cash and cash equivalents at end of year	29	**50.8**	40.0

Reconciliation of Operating Profit to Net Cash from Operating Activities

For the 53 weeks ended 1 March 2008	2008 £m	2007 £m
Operating profit from continuing operations	**91.8**	76.3
Operating profit/(loss) from discontinued operations	**0.4**	(1.6)
Adjustments for:		
Depreciation of property, plant and equipment	**5.7**	5.1
Amortisation of intangible assets	**6.7**	7.0
Share option charge	**1.7**	1.2
Operating cash flows before movements in working capital	**106.3**	88.0
Increase in inventories	**(13.2)**	–
Increase in trade and other receivables	**(50.8)**	(32.5)
Increase in trade and other payables	**23.0**	1.4
Pension obligation adjustment	**(14.5)**	0.1
Cash generated by operations	**50.8**	57.0
Taxation paid	**(19.1)**	(14.2)
Net cash from operating activities	**31.7**	42.8

Notes to the Group Accounts

1 General information

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is listed at the end of the report. The nature of the group's operations and its principal activities are set out on page 34 of the directors' report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

In the current year, the group has adopted IFRS 7 Financial Instruments: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital (see note 20).

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in the group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 23 (Revised) Borrowing costs

IFRS 8 Operating segments

IRIC 11 IFRS 2: Group and treasury share transactions

IFRIC 12 Service concession arrangements

IFRIC 13 Customer loyalty programmes

IFRIC 14 IAS 19: The limit on a defined benefit asset, minimum funding requirements and their interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

2 Accounting policies

Adoption of International Financial Reporting and Accounting Standards (IFRS).

The group has adopted Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations.

Individual standards and interpretations have to be adopted by the European Commission (EC) and the process leads to a delay between the issue and adoption of new standards and interpretations and in some cases amendments by the EC. Where the group has applied a new standard or interpretation in advance of EC adoption this will be noted below in the relevant policy statement.

Basis of accounting

The financial statements have been prepared in accordance with IFRS. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Accounting period

Throughout the accounts and the directors report and financial review, reference to 2008 means at 1 March 2008 or the 53 weeks then ended; reference to 2007 means at 24 February 2007 or the 52 weeks then ended.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to the Saturday that falls closest to 28 February each year. The Employee Share Ownership Trust and the No 2 Employee Share Ownership Trust ("the employee trusts") are also made up to a date co-terminus with the financial period of the parent company.

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. 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. 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.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

Notes to the Group Accounts

2 Accounting policies continued

On disposal of a subsidiary, 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.

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.

Sales of goods are recognised when goods are delivered and title has passed. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that assets net carrying amount. Revenue from non-interest related financial income is recognised when the services have been performed.

Property, plant & equipment
Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment in value.

Depreciation is charged so as to write off the cost of assets to their estimated residual values, based on current prices at the balance sheet date, over their remaining 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.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

Customer databases arising on acquisitions assessed under the requirements of IFRS 3 are amortised over their useful economic lives, which have been assessed as being five years.

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition. Brand names are individually assessed and are assumed to have an indefinite life and are not amortised, but are subject to annual impairment tests.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the group reviews the carrying value 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 estimate 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
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant 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 lease 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. Cost comprises direct materials and those overheads that have been incurred in bringing inventories to their present location and condition. 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

2 Accounting policies continued

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 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

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the group may enter into forward contracts and options (see below for details of the group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates relating to the purchase of overseas sourced product,

Notes to the Group Accounts

2 Accounting policies continued

and interest rates relating to the group's debt. The group uses foreign exchange forward contracts and interest rate swap contracts where appropriate to hedge these exposures. In accordance with its treasury policy, the group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

Derivatives are stated at their fair value. The fair value of foreign currency derivatives contracts is their quoted market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The fair value of interest rate contracts is the estimated amount that the group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

Changes in the fair value of currency derivative financial instruments are recognised in the income statement as they arise.

Share-based payments
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.

Key sources of estimation uncertainty
The key assumptions concerning the future and other sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Trade receivables
An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates which, although based on the group's historical experience of customer repayment patterns, remains inherently uncertain.

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

Pensions
The liability recognised in the balance sheet in respect of the group's defined benefit pension obligations represents the liabilities of the group's pension scheme after deduction of the fair value of the related assets. The scheme's liabilities are derived by estimating the ultimate cost of benefits payable by the scheme and reflecting the discounted value of the proportion accrued by the year end. The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on high quality bonds with a similar duration to the scheme's liabilities. This rate is potentially subject to significant variation and changes to these rates could have a significant impact on the net deficit.

3 Revenue

	2008 £m	2007 £m
An analysis of the group's revenue is as follows:		
Continuing operations		
Sale of goods	**443.3**	378.2
Rendering of services	**167.6**	145.6
Revenue – continuing operations	**610.9**	523.8
Investment income	**4.2**	2.7
Discontinued operations		
Door to door selling	**–**	4.6
Fulfilment	**8.7**	10.0
Total revenue	**623.8**	541.1

Notes to the Group Accounts

4 Business segments	2008 £m	2007 £m
Revenue		
Continuing operations		
Home shopping	**610.9**	523.8
Operating profit		
Continuing operations		
Home shopping	**91.8**	76.3
Fair value adjustments to financial instruments	**1.8**	(2.4)
Investment income	**4.2**	2.7
Finance costs	**(19.8)**	(11.3)
Profit before taxation	**78.0**	65.3
Taxation	**(22.2)**	(18.5)
Profit/(loss) for the period from discontinued operations	**1.1**	(1.1)
Profit after tax and discontinued operations	**56.9**	45.7

The analysis above is in respect of continuing operations. Information in respect of discontinued operations is shown in note 10.

Other Information

	2008			2007		
	Home Shopping £m	Fulfilment £m	Consolidated total £m	Home Shopping £m	Fulfilment £m	Consolidated total £m
Capital additions	14.0	1.5	**15.5**	28.3	0.5	28.8
Depreciation and amortisation	11.9	0.5	**12.4**	11.9	0.2	12.1
Balance sheet						
Assets	633.7	–	**633.7**	562.8	2.4	565.2
Liabilities	(385.2)	–	**(385.2)**	(360.9)	(1.8)	(362.7)
Segment net assets	248.5	–	**248.5**	201.9	0.6	202.5

Notes to the Group Accounts

5 Profit for the year	2008 £m	2007 £m
Continuing operations		
Revenue	**610.9**	523.8
Cost of sales	**(273.1)**	(232.8)
Gross profit	**337.8**	291.0
Distribution costs	**(62.3)**	(55.4)
Administration costs	**(183.7)**	(159.3)
Operating profit – group operations	**91.8**	76.3

Profit for the year has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Net foreign exchange (gains)	**(3.5)**	(1.1)	**–**	–	**(3.5)**	(1.1)
Depreciation of property, plant and equipment	**5.5**	5.1	**0.2**	–	**5.7**	5.1
Amortisation of intangible assets	**6.7**	7.0	**–**	–	**6.7**	7.0
Cost of inventories recognised as expense	**186.7**	156.9	**–**	1.3	**186.7**	158.2
Staff costs	**78.5**	56.5	**1.4**	2.4	**79.9**	58.9
Auditors remuneration for audit services (see below)	**0.2**	0.2	**–**	–	**0.2**	0.2

Amounts payable to Deloitte & Touche LLP and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £0.3m (2007, £0.2m).

A more detailed analysis of auditors' remuneration is provided below:

	2008 £m	2007 £m
Audit fees:		
The audit of the company's subsidiaries pursuant to legislation	**0.2**	0.2
Other services:		
Tax services	**0.3**	0.2
Other services	**–**	–
	0.3	0.2

Fees payable for tax services relate to tax planning and compliance.

Fees payable to the company's auditors for the audit of the company's annual accounts were £10,000 (2007, £10,000).

In addition to the amounts shown above, the auditors received fees of £4,000 (2007, £4,000) for the audit of the group pension scheme.

A description of the work of the audit committee is set out in the corporate governance statement and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditors.

6 Staff costs	2008	2007
The average monthly number of employees (including executive directors) was:		
Distribution	**1,188**	1,175
Sales and administration	**1,871**	1,978
	3,059	3,153

Their aggregate remuneration comprised	2008 £m	2007 £m
Wages and salaries	**57.3**	51.3
Social security costs	**6.0**	5.1
Other pension costs (see note 33)	**16.6**	2.5
	79.9	58.9

Details of individual directors' remuneration is disclosed in the remuneration report on page 46.

	Continuing operations	
7 Investment income	2008 £m	2007 £m
Interest on bank deposits	**1.5**	1.0
Expected return on pension assets	**2.7**	1.7
	4.2	2.7

	Continuing operations		Discontinued operations		Total	
8 Finance costs	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Interest on bank overdrafts and loans	**16.6**	8.1	**–**	–	**16.6**	8.1
Interest on pension scheme liabilities	**3.2**	3.2	**–**	–	**3.2**	3.2
Total borrowing costs	**19.8**	11.3	**–**	–	**19.8**	11.3

Notes to the Group Accounts

9 Tax	Continuing operations 2008 £m	Continuing operations 2007 £m	Discontinued operations 2008 £m	Discontinued operations 2007 £m	Total 2008 £m	Total 2007 £m
Current tax – charge for the year	**18.1**	19.8	**0.1**	(0.5)	**18.2**	19.3
Current tax – adjustment in respect of previous years	**(2.5)**	(1.7)	**–**	–	**(2.5)**	(1.7)
Deferred tax (see note 21)	**4.2**	(0.9)	**–**	–	**4.2**	(0.9)
Deferred tax – adjustment in respect of previous years	**2.4**	1.3	**–**	–	**2.4**	1.3
	22.2	18.5	**0.1**	(0.5)	**22.3**	18.0

UK Corporation tax is calculated at 30% (2007, 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008 £m	2007 £m
Profit before tax:		
Continuing operations	**78.0**	65.3
Discontinued operations	**1.2**	(1.6)
	79.2	63.7
Tax at the UK corporation tax rate of 30% (2007, 30%)	**23.7**	19.1
Tax effect of expenses that are not deductible in determining taxable profit	**–**	0.4
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.9)**	(1.1)
Tax effect of adjustments in respect of previous periods	**(0.1)**	(0.4)
Effect of change in tax rate	**(0.4)**	–
Tax expense for the year	**22.3**	18.0

10 Discontinued operations

In December 2007 the group sold the entire share capital of Zendor.com Limited, its third party fulfilment operation, for a net consideration of £1.7m.

In July 2006 the debtor book of the group's door to door selling business, House of Stirling, was sold and the operation ceased trading.

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

	2008 £m	2007 £m
Revenue	**8.7**	14.6
Expenses	**(8.3)**	(16.2)
Operating profit/(loss)	**0.4**	(1.6)
Profit on disposal of discontinued operations	**0.8**	–
Attributable tax (charge)/credit	**(0.1)**	0.5
Net profit/(loss) attributable to discontinued operations	**1.1**	(1.1)

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.

Notes to the Group Accounts

11 Dividends	**2008 £m**	**2007 £m**
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 24 February 2007 of 5.34p (2006, 4.45p) per share	**14.3**	13.1
Interim dividend for the 53 weeks ended 1 March 2008 of 2.65p (2007, 2.19p) per share	**7.2**	6.5
	21.5	19.6
Proposed final dividend for the 53 weeks ended 1 March 2008 of 6.41p (2007, 5.34p) per share	**17.4**	14.3

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not yet been included as a liability in these financial statements.

The return of value to shareholders is detailed in note 23.

12 Earnings per share

From continuing and discontinued operations
The calculations of the basic and diluted earnings per share is based on the following data:

Earnings	**2008 £m**	**2007 £m**
Earnings for the purposes of basic earnings per share being net profit attributable to equity shareholders of the parent	**56.9**	45.7

Number of shares ('000s)	**2008 Number**	**2007 Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**268,869**	295,160
Effect of dilutive potential ordinary shares:		
Share options	**1,079**	1,676
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**269,948**	296,836

From continuing operations	**2008 £m**	**2007 £m**
Earnings		
Net profit attributable to equity holders of the parent	**56.9**	45.7
Adjustments to exclude (profit)/loss for the year from discontinued operations	**(1.1)**	1.1
Earnings from continuing operations for the purposes of basic earnings per share excluding discontinued operations	**55.8**	46.8

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations	**Pence**	**Pence**
Basic	**0.41**	(0.38)
Diluted	**0.41**	(0.37)

13 Intangible assets	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
At 25 February 2006	–	61.3	1.9	63.2
Additions	–	8.0	–	8.0
Arising on acquisition	7.9	–	–	7.9
At 24 February 2007	7.9	69.3	1.9	79.1
Additions	–	6.7	–	6.7
At 1 March 2008	**7.9**	**76.0**	**1.9**	**85.8**
Amortisation				
At 25 February 2006	–	40.6	0.6	41.2
Charge for the year	–	6.7	0.3	7.0
At 24 February 2007	–	47.3	0.9	48.2
Charge for the year	–	6.4	0.3	6.7
At 1 March 2008	**–**	**53.7**	**1.2**	**54.9**
Carrying amount				
At 1 March 2008	**7.9**	**22.3**	**0.7**	**30.9**
At 24 February 2007	7.9	22.0	1.0	30.9

The amortisation periods for intangible assets are:

	Years
Software	5
Customer Database	5

The brand name arising from the acquisition of Gray & Osbourn Limited is deemed to have an indefinite life as there is no foreseeable limit to the period over which it is expected to generate cash inflows and is subject to annual impairment tests.

The carrying value of the Gray & Osbourn Limited brand name has been determined from a value in use calculation. The key assumptions for this calculation are those regarding the discount rates, growth rates and the forecast cash flows.

The group prepares cash flow forecasts based on the most recent two year financial budgets approved by management and thereafter extrapolates cash flows in perpetuity (with no growth assumed) to reflect that there is no foreseeable limit to the period over which cash flows are expected to be generated. The rate used to discount the forecast cash flows is 8.4%.

Notes to the Group Accounts

14 Property, plant and equipment	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
At 25 February 2006	37.7	69.1	106.8
Additions	7.7	5.2	12.9
Acquisition of subsidiary undertakings	–	0.2	0.2
At 24 February 2007	45.4	74.5	119.9
Additions	2.3	6.5	8.8
Disposal of subsidiary undertakings	–	(1.5)	(1.5)
At 1 March 2008	**47.7**	**79.5**	**127.2**
Accumulated depreciation and impairment			
At 25 February 2006	4.3	41.5	45.8
Charge for the year	0.8	4.3	5.1
Acquisition of subsidiary undertakings	–	0.1	0.1
At 24 February 2007	5.1	45.9	51.0
Charge for the year	0.9	4.8	5.7
Disposal of subsidiary undertakings	–	–	–
At 1 March 2008	**6.0**	**50.7**	**56.7**
Carrying amount			
At 1 March 2008	**41.7**	**28.8**	**70.5**
At 24 February 2007	40.3	28.6	68.9

Assets in the course of construction included in property, plant and equipment at the year end date total £6.3m (2007, £7.9m).

At 1 March 2008, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to nil (2007, £nil).

15 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 3 to the company's separate financial statements.

16 Inventories	2008 £m	2007 £m
Finished goods	**65.8**	52.4
Sundry stocks	**2.3**	2.5
	68.1	54.9

Notes to the Group Accounts

17 Trade and other receivables	2008 £m	2007 £m
Amount falling due within one year:		
Amount receivable for the sale of goods and services	**418.4**	366.9
Allowance for doubtful debts	**(29.1)**	(23.5)
	389.3	343.4
Other debtors and prepayments	**16.9**	15.8
	406.2	359.2

The average credit period given to customers for the sale of goods is 230 days (2007, 227 days). Interest is charged at 38.3% (2007, 38.3%) on the outstanding balance. Generally, receivables over 150 days past due are written off in full. Trade receivables that reach the trigger point of 56 days past due are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £40.0m at 1 March 2008 (2007, £32.0m).

Before accepting any new customer, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Credit limits and scores attributed to customers are reviewed every 28 days. The credit quality of trade receivables that are neither past due nor impaired, with regard to the historical default rate has remained stable.

Ageing of trade receivables	2008 £m	2007 £m
Current	**326.1**	289.5
0 – 28 days	**43.6**	38.6
29 – 56 days	**21.9**	18.7
57 – 84 days	**11.8**	9.0
85 – 112 days	**8.3**	6.1
Over 112 days past due	**6.7**	5.0
Total	**418.4**	366.9

Movement in the allowance for doubtful debts	2008 £m	2007 £m
Balance at the beginning of the period	**23.5**	17.6
Amounts charged net to the income statement	**34.3**	26.6
Net amounts written off	**(28.7)**	(20.7)
Balance at the end of the period	**29.1**	23.5

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.6m customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. All customer receivables are unsecured.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the Group Accounts

18 Bank overdraft and loans	2008 £m	2007 £m
Bank overdrafts	**0.2**	0.2
Bank loans	**250.0**	143.8
	250.2	144.0
The borrowings are repayable as follows:		
On demand or within one year	**0.2**	0.2
In the second year	**–**	–
In the third to fifth year	**250.0**	143.8
	250.2	144.0
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(0.2)**	(0.2)
Amounts due for settlement after 12 months	**250.0**	143.8

All borrowings are held in sterling

The weighted average interest rates paid were as follows:	2008 %	2007 %
Bank overdrafts	**6.5**	5.8
Bank loans	**6.0**	4.9

The principal features of the group's borrowings are as follows:

(i) Bank overdrafts are repayable on demand, unsecured and bear interest at a margin over bank base rates.

(ii) The group has a bank loan of £170m (2007, £143.8m) secured by a charge over certain 'eligible' trade debtors (current and 0-28 days past due) of the group and is without recourse to any of the group's other assets. The facility has a current limit of £200m and finance costs are linked to US commercial paper rates and is committed until March 2012.

In addition the group has unsecured bank loans of £80m (2007, nil) drawn down under a medium term bank revolving credit facility committed until January 2012.

(iii) All borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk. The group use derivatives such as interest rate swaps where appropriate. Based on weighted average interest rates and the value of bank loans at 1 March 2008 the estimated future interest cost per annum until maturity would be £15m.

At 1 March 2008, the group had available £70m (2007, £176.2m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Financial Review on page 11 summaries the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period.

There is no material difference between the fair value and book value of the group's borrowings and other financial assets and liabilities (excluding derivative financial instruments in note 19).

Notes to the Group Accounts

19 Derivative financial instruments

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

	2008 £m	2007 £m
Notional amount	**33.6**	32.9
Fair value asset/(liability)	**0.1**	(1.7)

Changes in the fair value of non-hedging currency derivatives amounting to £1.8m have been credited to income in the year (2007, £2.4m charge).

20 Financial instruments

Capital risk management
The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 29 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 27.

Gearing ratio
The gearing ratio at the year end is as follows:

	2008 £m	2007 £m
Debt	**250.2**	144.0
Cash and cash equivalents	**(50.8)**	(40.0)
Net Debt	**199.4**	104.0
Equity	**248.5**	202.5
Net debt to equity ratio	**80%**	51%

Debt is defined as long- and short-term borrowings, as detailed in note 18.
Equity includes all capital and reserves of the group attributable to equity holders of the parent.

Externally imposed capital requirement
The group is not subject to externally imposed capital requirements.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management objectives
The financial risks facing the group include currency risk, credit risk, liquidity risk and cash flow interest rate risk. The group seeks to minimise the effects of certain of these risks by using derivative financial instruments to hedge these risk exposures as governed by the group's policies. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management
The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

It is the policy of the group to enter into forward foreign exchange contracts to cover specific foreign currency payments for the purchase of overseas sourced products. Group policy allows for these exposures to be hedged for up to three years ahead.

20 Financial instruments continued

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

	2008 £m	**2007 £m**
Less than 6 months	**12.4**	12.2
6 to 12 months	**10.6**	11.3
12 to 18 months	**7.5**	6.4
18 to 24 months	**3.1**	3.0
	33.6	32.9

Forward contracts outstanding at the year end are contracted at US dollar exchange rates ranging between 1.85 and 2.06.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2008 £m	**2007 £m**	**2008 £m**	**2007 £m**
Euro	**1.9**	1.8	**10.2**	7.6
US dollar	**2.6**	2.1	**0.2**	–

Foreign currency sensitivity analysis
The following table details the group's hypothetical sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. The sensitivity rate of 10% represents the directors assessment of a reasonably possible change. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax.

	Euro Currency Impact 2008 £m	**2007 £m**	**US Dollar Currency Impact 2008 £m**	**2007 £m**
Income statement				
Sterling strengthens by 10%	**0.9**	0.6	**(0.3)**	(0.2)
Sterling weakens by 10%	**(0.8)**	(0.5)	**0.2**	0.2

Interest rate risk management
The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates. Where appropriate, exposure to interest rate fluctuations on indebtedness is managed by using derivatives such as interest rate swaps.

Interest rate sensitivity analysis
If interest rates had increased by 0.5% and all other variables were held constant, the group's profit before tax for the 53 weeks ended 1 March 2008 would decrease by £1.0m (2007, £0.5m).

This sensitivity analysis has been determined based on exposure to interest rates at the balance sheet date and assuming the net debt outstanding at the year end date was outstanding for the whole year.

Notes to the Group Accounts

20 Financial instruments continued

Credit risk management
Investments of cash surpluses, borrowings and derivative financial instruments are made through banks which are approved by the board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The concentration of credit risk is limited due to the customer base being large and unrelated.

Liquidity risk management
The group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the group has at its disposal and details of the group's remaining contractual maturity for its non-derivative financial liabilities.

Fair value of financial instruments
Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

21 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods.

	Share based payments £m	Currency derivatives £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 25 February 2006	–	(0.2)	(5.3)	10.4	0.2	5.1
Credit/(charge) to income	0.4	0.7	(0.4)	0.5	(1.6)	(0.4)
Credit/(charge) to equity	2.0	–	–	(2.5)	–	(0.5)
At 24 February 2007	2.4	0.5	(5.7)	8.4	(1.4)	4.2
Credit/(charge) to income	0.5	(0.5)	(0.2)	(4.5)	(2.3)	(7.0)
Credit/(charge) to equity	(0.6)	–	–	(1.6)	–	(2.2)
Effect of change in tax rate						
– income statement	–	–	0.3	–	0.1	0.4
– equity	(0.1)	–	–	(0.6)	–	(0.7)
As 1 March 2008	**2.2**	**–**	**(5.6)**	**1.7**	**(3.6)**	**(5.3)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2008 £m	2007 £m
Deferred tax assets	**7.1**	11.3
Deferred tax liabilities	**(12.4)**	(7.1)
	(5.3)	4.2

At the balance sheet date, the group has unused tax losses of £0.1m (2007, £1.2m) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Group Accounts

22 Trade and other payables	2008 £m	2007 £m
Trade payables	**52.8**	37.6
Other taxes and social security	**23.1**	17.4
Other creditors	**3.4**	6.9
Accruals and deferred income	**24.3**	21.8
	103.6	83.7

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2007, 34 days).

23 Share capital	2008 £m	2007 £m
Authorised		
352,857,142 (2007, 352,857,142) ordinary shares of 11$^{1}/_{19}$p each	**39.0**	39.0
Allotted, called-up and fully paid		
271,304,714 (2007, 267,724,741) ordinary shares of 11$^{1}/_{19}$p each	**30.0**	29.6

During the year 2,950,000 ordinary shares were issued to the N Brown Group Employee Share Ownership Trusts for £368,221. Movements in share capital during the year relate to the exercise of share options. The company has one class of ordinary share which carry no right to fixed income.

On 21 February 2007 the group approved a share reorganisation with shareholders given 1 B share of 0.01 pence for every existing ordinary share held of 10 pence each and a consolidation of existing ordinary shares on the basis of 19 new ordinary shares of 11$^{1}/_{19}$ pence each for every 21 existing ordinary shares held of 10 pence each.

On 22 February 2007 the group issued 295,906,293 B shares of 0.01 pence each. Holders of the B shares were entitled to receive a single payment of 27 pence per B share, equivalent to £79,894,699, payable on 12 March 2007. In accordance with the articles of association of the company, on the declaration of the payment of 27 pence on each of the B shares, all B shares converted into deferred shares. The deferred shares carried limited rights and negligible value.

On 13 March 2007, the company repurchased all the deferred shares for an aggregate consideration of one penny. These deferred shares were cancelled on repurchase.

24 Share premium	2008 £m	2007 £m
Balance at 24 February 2007	**10.3**	9.2
Premium arising on issue of equity shares	**0.7**	1.1
Balance at 1 March 2008	**11.0**	10.3

Notes to the Group Accounts

25 Own shares	2008 £m	2007 £m
Balance at 24 February 2007	**–**	0.8
Additions	**0.4**	0.7
Issue of own shares on exercise of share options	**(0.3)**	(1.5)
Balance at 1 March 2008	**0.1**	–

The own shares reserve represents the cost of shares in N Brown Group plc held by the N Brown Group plc Employee Share Ownership Trusts to satisfy options under the group's various share benefit schemes (see note 32).

During the year the employee trusts subscribed for 2,950,000 shares in N Brown Group plc for a consideration of £368,221.

At 1 March 2008 the employee trusts held 754,081 shares in the company (2007, 14,950).

26 Foreign currency translation reserve	£m
Balance at 25 February 2006	–
Exchange difference on translation of overseas operations	0.4
Balance at 24 February 2007	0.4
Exchange difference on translation of overseas operations	0.8
Balance at 1 March 2008	**1.2**

27 Retained earnings	£m
Balance at 25 February 2006	208.1
Ordinary dividends paid	(19.6)
B Share dividend declared	(79.9)
Recognised income for the year	53.9
Exchange difference on translation of foreign operations	(0.4)
Adjustment to equity for share payments	(1.1)
Share option charge	1.2
Balance at 24 February 2007	162.2
Ordinary dividends paid	(21.5)
Recognised income for the year	64.6
Exchange difference on translation of foreign operations	(0.8)
Adjustment to equity for share payments	0.2
Share option charge	1.7
Balance at 1 March 2008	**206.4**

Notes to the Group Accounts

28 Disposal of subsidiary

As referred to in note 10, the group disposed of its interest in Zendor.com Limited in December 2007. The net assets of Zendor.com Limited at the date of disposal were as follows:

	2008 £m
Plant and equipment	1.5
Trade receivables	4.6
Bank balances and cash	0.3
Trade payables	(3.5)
Loan from parent company	(1.9)
Current tax liability	(0.1)
Net assets	0.9
Profit on disposal	0.8
Total consideration	1.7
Satisfied by:	
Cash	2.3
Disposal costs	(0.6)
	1.7
Net cash inflow arising on disposal	
Cash consideration and loan repayment to parent company	3.6
Cash and cash equivalents disposed of	(0.3)
	3.3

29 Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

A breakdown of significant cash and cash equivalent balances by currency is as follows:

	2008 £m	2007 £m
Sterling	**49.1**	38.7
Euro	**1.7**	1.3
	50.8	40.0

30 Contingent liabilities

Parent company borrowings which at 1 March 2008 amounted to £0.2m (2007, £2.4m) have been guaranteed by certain subsidiary undertakings.

Notes to the Group Accounts

31 Operating lease arrangements	2008 £m	2007 £m
Minimum lease payments under operating leases recognised in income for the year	**4.6**	5.0

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £m	2007 £m
Within one year	**0.1**	0.3
In the second to fifth years inclusive	**6.5**	7.9
After five years	**17.2**	19.8
	23.8	28.0

Operating lease payments represent rentals payable by the group for certain buildings, plant and equipment and motor vehicles.

32 Equity settled share based payments

The remuneration report on pages 41 to 49 contains details of management and sharesave options/awards offered to employees of the group.

Details of the share options/awards outstanding during the year are as follows:

	Option price in pence	Exercise period	Number of shares 2008	Number of shares 2007
Option scheme				
2000 Savings related scheme	88 – 258	February 2008 – February 2013	**1,855,705**	2,262,666
1990 Executive scheme	129.5 – 284	November 2001 – May 2010	**130,800**	130,800
2000 Executive scheme	106 – 341	October 2003 – May 2017	**1,229,815**	1,171,704
Unapproved executive scheme	125 – 341	May 2003 – May 2017	**411,430**	553,771
Long-term incentive scheme awards				
August 2004	–	August 2007 – February 2008	**–**	1,752,403
May 2005	–	May 2008 – November 2008	**1,476,748**	1,497,525
June 2006	–	June 2009 – December 2009	**930,978**	952,625
October 2006	–	October 2009 – October 2010	**61,907**	61,907
June 2007	–	June 2010 – December 2010	**719,260**	–
August 2007	–	August 2010 – February 2011	**52,579**	–
Deferred annual bonus scheme awards				
May 2005	–	May 2007 – November 2007	**–**	181,325
May 2006	–	May 2008 – November 2008	**220,156**	227,067
May 2007	–	May 2009 – November 2009	**162,797**	–

32 Equity settled share based payments – continued

Movements in share options/awards are summarised as follows:

	2008		2007	
	Number of share options/awards	Weighted average exercise price £	Number of share options/awards	Weighted average exercise price £
Outstanding at the beginning of the period	**8,791,793**	**0.63**	11,890,577	0.81
Granted during the period	**1,826,037**	**1.54**	2,260,069	0.75
Forfeited during the period	**(536,070)**	**0.87**	(4,285,302)	1.15
Exercised during the period	**(2,829,585)**	**0.43**	(1,073,551)	0.80
Outstanding at the end of the period	**7,252,175**	**0.92**	8,791,793	0.63
Exercisable at the end of the period	**368,243**	**1.79**	633,250	1.61

Options were exercised on a regular basis throughout the year and the weighted average share price during this period was 286 pence (2007, 147 pence). The options/awards outstanding at 1 March 2008 had a weighted average exercise price of 92 pence, and a weighted average remaining contractual life of 3.2 years (2007, 5.3 years).

The fair value of management and sharesave options/awards granted is calculated at the date of grant using a Black-Scholes option pricing model. The inputs into the Black-Scholes model are as follows:

	2008	2007
Weighted average share price at date of grant (pence)	**331**	212
Weighted average exercise price (pence)	**154**	75
Expected volatility (%)	**35.7**	37.0
Expected life (years)	**3.5 – 5.5**	3.5 – 5.5
Risk-free rate (%)	**4.3**	4.3
Dividend yield (%)	**2.4**	5.0

Expected volatility was determined by calculating the historical volatility of the group's share price over a period equivalent to the expected life of the option. The expected life used in the model has been adjusted, based on managements best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The group recognised total expenses of £1.7m and £1.2m related to equity-settled share based payment transactions in 2008 and 2007 respectively.

Notes to the Group Accounts

33 Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees.

The group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £0.6m (2007, £0.5m) represents contributions payable to the schemes by the group at rates specified in the rules of the plans. As at 1 March 2008, contributions of £0.1m (2007, £0.1m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The group operates a defined benefit scheme, the N Brown Group Pension Fund. Under the scheme, the employees are entitled to retirement benefits based on final pensionable earnings which are salaries and was closed to new members from 31 January 2002. No other post-retirement benefits are provided. The scheme is a funded scheme.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2006 by an independent qualified actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The principal actuarial assumptions used in determining the group's net retirement benefit obligations at the balance sheet date were as follows:

	2008 %	2007 %
Discount rate	**6.1**	5.0
Expected return on scheme assets	**5.8**	5.2
Expected rate of salary increase	**5.1**	4.6
Future pension increases	**2.4**	2.0

Amounts recognised in income in respect of these defined benefit schemes are as follows:	2008 £m	2007 £m
Current service cost	**2.3**	2.9
Interest cost	**3.2**	3.2
Expected return on scheme assets	**(2.7)**	(1.7)
	2.8	4.4

Actuarial gains and losses have been reported in the statement of recognised income and expense. The cumulative actuarial gains since transition to IFRS were £11.3m (2007, £3.4m).

The actual return on scheme assets was £0.8m (2007, £2.6m).

The scheme is a closed scheme and therefore, under the projected unit method, the current service cost would be expected to increase.

33 Retirement benefit schemes continued

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	2008 £m	2007 £m
Present value of defined benefit obligations	**56.8**	63.5
Fair value of scheme assets	**(51.0)**	(35.8)
Deficit in the scheme and liability recognised in the balance sheet	**5.8**	27.7

Movements in the present value of defined benefit obligations were as follows:	2008 £m	2007 £m
At 24 February 2007	**63.5**	65.6
Service cost	**2.3**	2.9
Interest cost	**3.2**	3.2
Actuarial gains	**(11.4)**	(7.4)
Benefits paid	**(0.8)**	(0.8)
At 1 March 2008	**56.8**	63.5

Movements in the fair value of the scheme assets were as follows:	2008 £m	2007 £m
At 24 February 2007	**35.8**	31.2
Expected return on scheme assets	**2.7**	1.7
Actuarial (losses) and gains	**(3.5)**	0.9
Contributions from sponsoring companies	**16.8**	2.8
Benefits paid	**(0.8)**	(0.8)
At 1 March 2008	**51.0**	35.8

Notes to the Group Accounts

33 Retirement benefit schemes continued

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected Return		Fair value of assets	
	2008	**2007**	**2008**	**2007**
	%	**%**	**£m**	**£m**
Equities	**7.0**	6.0	**27.0**	20.8
Bonds	**4.5**	4.3	**24.0**	15.0
	5.8	5.2	**51.0**	35.8

Expected rates of return on the scheme assets are based on consistent assumptions with the previous year, adjusted to reflect changes in market conditions since that date.

The history of experience adjustments is as follows:

	2008	**2007**	**2006**	**2005**
	£m	**£m**	**£m**	**£m**
Present value of defined benefit obligations	**56.8**	63.5	65.6	52.9
Fair value of scheme assets	**(51.0)**	(35.8)	(31.2)	(24.6)
Deficit in the scheme	**5.8**	27.7	34.4	28.3
Experience adjustments on scheme liabilities				
Amount (£)	**–**	1.2	–	–
Percentage of scheme liabilities (%)	**0%**	2%	0%	0%
Difference between expected and actual return on scheme assets:				
Amount (£)	**(3.5)**	1.0	3.0	0.7
Percentage of scheme assets (%)	**(7%)**	3%	10%	3%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £5.7m.

Notes to the Group Accounts

34 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are disclosed in the company's separate financial statements.

Independent Auditors’ Report – Company Accounts

To the members of N Brown Group plc

We have audited the parent company financial statements of N Brown Group plc for the 53 week period ended 1 March 2008 which comprise the balance sheet and the related notes 1 to 9. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of N Brown Group plc for the 53 week period ended 1 March 2008 and on the information in the directors’ remuneration report that is described as being audited.

This report is made solely to the company’s members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditors’ 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 and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the annual report, the directors’ remuneration report and the group financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors’ report.

Our responsibility is to audit the parent company financial statements and the part of the directors’ remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether they have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors’ report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company’s affairs as at 1 March 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors’ report is consistent with the parent company financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

9 May 2008

Company Balance Sheet

As at 1 March 2008	Note	2008 £m	2007 £m
Fixed assets			
Investments	3	**268.0**	268.0
		268.0	268.0
Current assets			
Debtors	4	**103.5**	94.6
Cash at bank and in hand		**2.7**	–
		106.2	94.6
Creditors			
Amounts falling due within one year	5	**(195.8)**	(280.3)
Net current liabilities		**(89.6)**	(185.7)
Total assets less current liabilities		**178.4**	82.3
Non current liabilities			
Bank loans	6	**(80.0)**	–
Net assets		**98.4**	82.3
Capital and reserves			
Called-up share capital	7	**30.0**	29.6
Share premium account	8	**11.0**	10.3
Profit and loss account	8	**57.4**	42.4
Total equity		**98.4**	82.3

The financial statements were approved by the board of directors and authorised for issue on 9 May 2008.
They were signed on its behalf by:

Alan White
Dean Moore
Directors

Notes to the Company Accounts

1 Significant accounting policies

Basis of accounting
The separate financial statements of the company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments
Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Bank borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis in the profit and loss account using the effective interest rate method.

Cash flow
The company has taken advantage of the exemption from producing a cash flow statement afforded by FRS 1 (Revised) because the group accounts include a consolidated cash flow statement.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.

2 Profit for the year

As permitted by section 230 of the Companies Act 1985 the company has elected not to present its own profit and loss account for the year. N Brown Group plc reported a profit after tax for the financial year ended 1 March 2008 of £36.6m (2007, £101.5m).

The auditors' remuneration for audit services to the company of £10,000 (2007, £10,000) was borne by subsidiary undertakings.

Total employee costs were:

	2008 £m	2007 £m
Wages and salaries	**0.2**	0.2

The executive directors were remunerated by a subsidiary undertaking.

3 Fixed asset investment	Shares £m	Total £m
Cost		
At 24 February 2007 and 1 March 2008	**268.0**	**268.0**

The company and group has investments in the following subsidiaries and joint ventures which principally affected the profits or net assets of the group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Company	Principal activity	Country of incorporation and operation	Proportion held by the group (%)
J D Williams & Co. Limited	Direct home shopping by catalogue	England	100
Oxendale & Co. Limited	Direct home shopping by catalogue	Republic of Ireland	100
J D W Finance Limited	Financing and ancillary services	England	100
N B Insurance Guernsey Limited	Insurance services	Guernsey	100
First Financial Limited	Financial services	England	100
Gray & Osbourn Limited	Direct home shopping by catalogue	England	100

Notes to the Company Accounts

4 Debtors	2008 £m	2007 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	**103.0**	93.7
Prepayments and accrued income	**0.5**	0.5
Other debtors	**–**	0.4
	103.5	94.6

5 Creditors	2008 £m	2007 £m
Amounts falling due within one year:		
Bank loans and overdrafts	**0.2**	2.4
Trade creditors	**0.3**	0.4
Amounts owed to group undertakings	**188.7**	193.0
Corporation tax	**2.3**	1.1
Accruals and deferred income	**4.3**	3.5
B share dividends declared	**–**	79.9
	195.8	280.3

6 Bank loans	2008 £m	2007 £m
Bank overdrafts	**0.3**	2.4
Bank loans	**80.0**	–
	80.3	2.4
The borrowings are repayable as follows:		
On demand within one year	**0.3**	2.4
In the second year	**–**	–
In the third to fifth year	**80.0**	–
	80.3	2.4
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(0.3)**	(2.4)
Amounts due for settlement after 12 months	**80.0**	–

The company has unsecured bank loans of £80m (2007, nil) drawn down under a medium term bank revolving credit facility committed until January 2012.

At 1 March 2008, the company had available £40m (2007, £120m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rate paid was 6.2% (2007, 5.8%).

Notes to the Company Accounts

7 Share capital	2008 £m	2007 £m
Authorised		
352,857,142 (2007, 352,857,142) ordinary shares of 11 1/19p each	**39.0**	39.0
Allotted, called-up and fully paid		
271,304,714 (2007, 267,724,741) ordinary shares of 11 1/19p each	**30.0**	29.6

During the year 2,950,000 ordinary shares were issued to the N Brown Group Employee Share Ownership Trusts for £368,221. Movements in share capital during the year relate to the exercise of share options. The company has one class of ordinary share which carry no right to fixed income.

On 21 February 2007 the group approved a share reorganisation with shareholders given 1 B share of 0.01 pence for every existing ordinary share held of 10 pence each and a consolidation of existing ordinary shares on the basis of 19 new ordinary shares of 11 1/19 pence each for every 21 existing ordinary shares held of 10 pence each.

On 22 February 2007 the group issued 295,906,293 B shares of 0.01 pence each. Holders of the B shares were entitled to receive a single payment of 27 pence per B share, equivalent to £79,894,699, payable on 12 March 2007. In accordance with the articles of association of the company, on the declaration of the payment of 27 pence on each of the B shares, all B shares converted into deferred shares. The deferred shares carried limited rights and negligible value.

On 13 March 2007, the company repurchased all the deferred shares for an aggregate consideration of one penny. These deferred shares were cancelled on repurchase.

8 Reserves	Share premium account £m	Profit and loss account £m
At 24 February 2007	10.3	42.4
Issue of shares	0.7	–
Retained profit for the year	–	15.0
At 1 March 2008	**11.0**	**57.4**

9 Guarantees

Parent company borrowings which at 1 March 2008 amounted to £0.2m (2007, £2.4m) have been guaranteed by certain subsidiary undertakings.

Shareholder Information

Financial timetable

2007	9 October	Announcement of interim results
	7 December	Closing of register for interim dividend
2008	4 January	Payment of interim dividend
	1 March	Financial year-end
	29 April	Preliminary announcement of annual results
	30 May	Publication of 2008 annual report and accounts
	27 June	Closing of register for final dividend
	1 July	Annual general meeting
	25 July	Payment of final dividend

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M60 2AT

Bankers
HSBC Bank plc
The Royal Bank of Scotland plc
Alliance & Leicester Commercial Bank plc

Solicitors
Pinsent Masons LLP
Eversheds LLP
Addleshaw Goddard LLP
Halliwells LLP

Stockbrokers
Credit Suisse First Boston (Europe) Ltd
Hoare Govett Limited

Shareholder benefits

Subject to certain conditions, shareholders are entitled to a 20% privilege discount off the selling price of consumer merchandise in any of the group catalogues. Shareholders interested in these facilities should write for further information to the Company Secretary, N Brown Group plc, Griffin House, 40 Lever Street, Manchester, M60 6ES stating the number of shares held and the catalogue or product of interest.

Capital gains tax

For the purpose of capital gains tax, the value of the company's ordinary shares of 10p each was 6.40625p per share on 31 March 1982 and 1.328125p on 6 April 1965.

Design Elmwood **www.elmwood.co.uk**

Websites

Young (30-45)
fashionworld.co.uk
simplybe.co.uk
simplyyours.co.uk
naturallyclose.co.uk
classicconfidence.co.uk
newnow.co.uk
vivaladiva.com
jacamo.co.uk

Midlife (45-65)
jdwilliams.co.uk
ambrosewilson.com
oxendales.com
oxendales.ie
fiftyplus.co.uk
shoetailor.com
shapelyfigures.com
classic-detail.co.uk
premierman.com
homeshoppingdirect.com
inspirationalhome.co.uk
petfoodnstuff.com
discountworld.com
houseofbath.co.uk
crazyclearance.co.uk
grayandosbourn.co.uk
marisota.co.uk
homeessentials.co.uk

Elderly (65+)
heathervalley.com
specialcollection.com
nightingales.com

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