N Brown Group plc

Annual Report and Accounts 2010

Our brands

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
thebrilliantgiftshop.co.uk

Midlife (45-65)
jdwilliams.co.uk
ambrosewilson.com
oxendales.com
oxendales.ie
fiftyplus.co.uk
shoetailor.com
shapelyfigures.com
classicdetail.co.uk
premierman.com
homeshoppingdirect.com
inspirationalhome.co.uk
discountworld.com
houseofbath.co.uk
crazyclearance.co.uk
marisota.co.uk
homeessentials.co.uk
williamsandbrown.co.uk
thatsmystyle.co.uk

Elderly (65+)
heathervalley.com
specialcollection.com
nightingales.com
grayandosbourn.co.uk
julipa.com

It's been a year of contrast for N Brown, one in which commercial agility and business prudence have both played a part. The result is continued growth of our home shopping business in the face of an extremely tough trading environment.

During 2009/10 we've expanded our portfolio of brands to target new customers at low cost. We've also launched onto the high street, acquiring High & Mighty, giving us growth potential at a good price. Building on the success of Marisota and Jacamo, we've continued our push into the specialist fittings markets for both ladieswear and menswear, launched Simply Be in Germany, invested in online shopping yet refined our credit and customer recruitment policies to maximise returns.

The result of this contrast, this commercial agility and business prudence, is reflected in the strong financial results we have delivered. This performance leaves us poised to take advantage of other new opportunities in the coming year.

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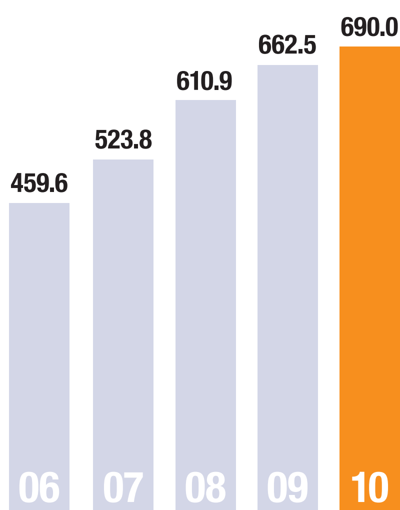
Financial Highlights

	2010	2009
Revenue	**£690.0m**	£662.5m
Operating profit	**£97.6m**	£95.5m
Adjusted profit before taxation*	**£93.1m**	£82.7m
Profit before taxation	**£85.7m**	£92.3m
Adjusted earnings per share	**24.77p**	21.96p
Earnings per share	**22.83p**	22.88p
Dividends per share	**10.79p**	9.19p
Net assets	**£319.0m**	£283.0m
Net asset value per share	**114.6p**	103.2p
Net borrowings	**£170.1m**	£218.3m
Gearing	**53%**	77%

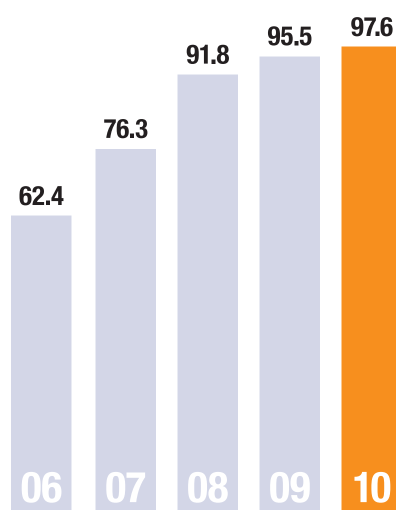
* Excluding fair value adjustments to financial instruments

Five Year History

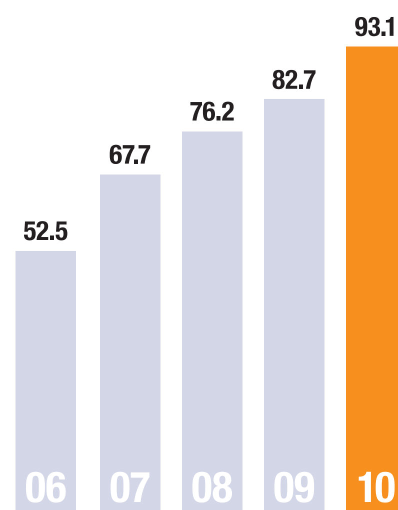
Revenue – Continuing operations (£m)



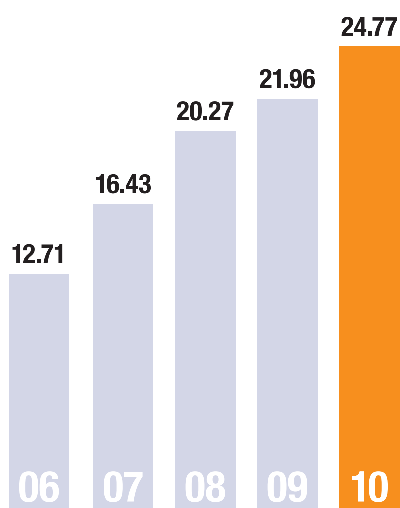
Operating profit – Continuing operations (£m)



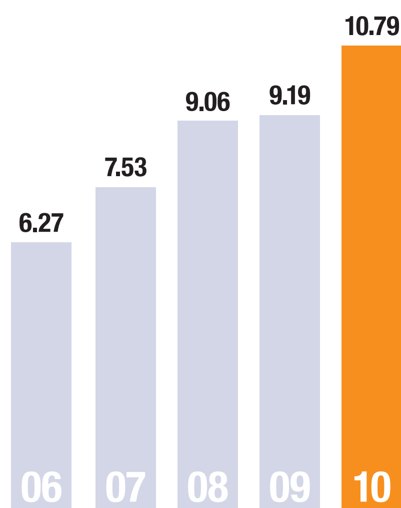
Pre-tax profit* – Continuing operations (£m)



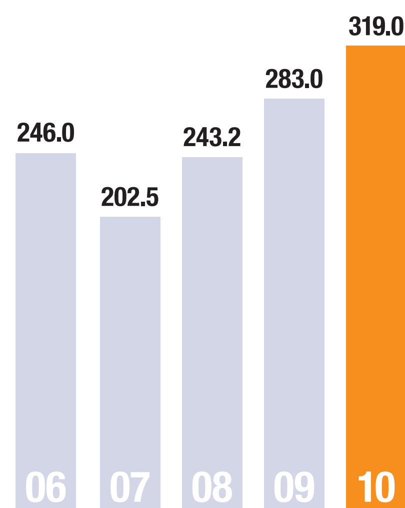
Adjusted earnings per share – Continuing operations (p)**



Dividends per share (p)



Net assets (£m)



*Excluding fair value adjustments to financial instruments
**See note 11 on page 56

I am pleased to report another record set of results for N Brown Group for the 52 weeks to 27 February 2010. This highlights the strength of our business and strategy as these results have been delivered during a challenging year due to the economic recession.

Financial Results
Total group revenues increased by 4.2% to £690.0m and by 3.3% on a like- for-like basis, excluding our international business and the sales from High & Mighty which we acquired in September 2009. Internet sales grew by 21% to £272m during the year. Operating profits were up by 2.2% at £97.6m and profits before fair value adjustment to financial instruments and tax were up 12.6% at £93.1m. Profits before tax and after fair value adjustments to financial instruments were £85.7m. Our focus has consistently been on adjusted profit before tax which reflects the underlying performance of the group and the basis on which the business is managed. Adjusted earnings per share have grown by 12.8% to 24.77p.

The board is proposing an unchanged final dividend of 6.41p, which gives a total dividend for the year of 10.79p, up by 17.4%, covered 2.3 times, reflecting our confidence in the business. We decided to rebalance the split between our interim and final dividend payments at the half year and going forward we expect to pay approximately 45% of the full year dividend at the interim stage.

The more cautious approach we applied to credit granting and improvements to our stock-turn ratio have contributed to a £48.2m reduction in our net borrowings to £170.1m. This reduction, combined with lower interest rates, has resulted in net finance costs of only £4.5m (2009, £12.8m), which are covered 21 times by operating profits. Gearing has fallen to 53% (2009, 77%) based on net assets of £319.0m, up 12.7%. Borrowing facilities of £320m remain in place until the first quarter of 2012, the increased headroom giving ample scope for our growth plans.

Trading Highlights
During the year, the key highlights have been:

- Ongoing development of our portfolio of brands targeted on clearly defined customer propositions. In particular we saw strong growth from our newer brands such as Marisota (targeting contemporary, confident women in their 50's) and Jacamo (offering younger branded menswear in larger sizes to the under 45's).

- Growth across all of our major product categories as we continue to develop the ranges around our core strengths in terms of size and fit. We have again continued to see strong demand for our expanded branded and celebrity designed ranges, such as by Mica Paris.

- The strategy to expand our menswear sales led to a 17% increase in revenues from this category. This includes the benefit of the acquisition of the High & Mighty brand and selected assets in September 2009, with its niche offering across 14 high street stores and the internet.

- Further development of our e-commerce activities, which delivered a sales increase of 21% and now account for 39% of the total revenues. They also generate benefits in terms of lower transaction processing costs.

- The successful launch of Simply Be website and catalogue in Germany as we continue to build an international presence.

Corporate Social Responsibility
We recognise that in addition to driving shareholder value it is important that we act as a responsible corporate citizen. To this end we have made great strides in reducing our carbon footprint and overall energy usage, we have a record number of employees engaged in charitable activities, and we continue to refine our ethical sourcing process.

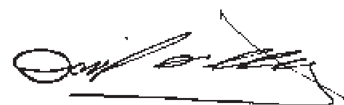
Outlook
Looking forward, we anticipate continued pressure on consumer spending as well as further volatility in global exchange rates and commodity prices. However, as we have demonstrated over many years, the flexibility of our business model and cost base means we are capable of reacting quickly to market trends and this has enabled us to consistently increase sales and profits in recent years.

We will continue to follow a multi-channel strategy, focused on developing market niches through targeted customer offers with products designed to fit their individual needs, followed by active cross-selling promotions. Additional investment in our online systems will facilitate incremental selling opportunities. In parallel we have an ongoing plan to drive further service enhancements and more delivery options.

We have recently launched two further brands to build our portfolio; That's My Style presents customers in their late 50's with our clothing and footwear ranges displayed in a contemporary format; and Williams and Brown is targeted at the 50-year old man with a classic, but stylish, range of menswear. In addition we plan to develop High & Mighty by combining its revamped high street stores with a strong internet and catalogue offerings. Our international trials will continue with the launch of Simply Be in the USA in late summer 2010 and building our customer base in Germany.

Sales for the 8 weeks to 24 April 2010 are 4.1% up on last year, or 3.1% on a like-for-like basis. We will continue to closely manage the balance between controlled revenue growth and our credit policies in line with the economic environment. This may restrict the potential rate of revenue growth this year but it will also contribute to a reduction in the bad debt charge. The measures we have taken have resulted in a business well-placed to continue growing in the current economic conditions and the board remains confident that the group can make further progress this year.

The strong performance in the last year in a challenging market has only been possible through the commitment and hard work of our management team and staff along with the support of our suppliers and trade union and I would like to thank them all for their excellent contribution.



Lord Alliance of Manchester, CBE

We have emerged from a challenging year with record results for both revenue and earnings, strong cash generation and a healthy balance sheet which has enabled the board to recommend a substantial increase in the dividend for the year.

For the 52 weeks to 27 February 2010 total revenue was £690.0m, up by 4.2% from the previous year and by 3.3% on a like-for-like basis after adjusting for our new international trial in Germany and the acquisition of High & Mighty in September 2009.

Financial Highlights	£m 2009/10	% vs. 2008/9
Revenue	690.0	+4.2
Operating Profit	97.6	+2.2
Adjusted Pre-Tax Profit *	93.1	+12.6
Profit Before Tax	85.7	–7.2
Total Dividend Per Share	10.79p	+17.4
Adjusted Earnings Per Share **	24.77p	+12.8
Net Borrowings	170.1	–22.1
Net Assets	319.0	+12.7

* Excluding fair value adjustments to financial instruments. ** See Note 11

Revenue
We have continued to focus on our core strengths of targeting niche customer groups and delivering relevant products with an emphasis on the correct size and fit, which is reflected in the growth across almost all of the group's core product and customer categories.

Both our established and newer brands have generated revenue growth and there has been a further increase in online sales as a result of the continued focus and investment in e-commerce. In addition we have developed our international business with the successful launch of our Simply Be website and catalogue in Germany.

In a competitive retail market customer loyalty is more precious than ever and so I am delighted we have achieved record levels of customer satisfaction through ongoing improvements to our service offer.

Group revenue up 4.2% to

£690.0m

Adjusted earnings per share up 12.8% to

24.77p

Total dividend up 17.4% to

10.79p

Customer Groups
We are recruiting customers to more than 20 of the brands in our portfolio, each of which has its own distinct target customer profile and product offer. Our brands are grouped into three age ranges:

- Younger – targeting customers aged 30-45 years
- Midlife – targeting customers aged 45-65 years
- Older – targeting customers aged 65 years and above.

Younger
In line with our strategy, the younger customer group has yet again experienced the fastest growth, with sales up 8% to £216m. Simply Be has delivered another good performance, and it remains our largest title within this category, delivering fashionable clothing up to size 32 to women in their 30's. Simply Be's sales include £2.4m of revenues from our German language catalogue and website. Operationally the launch in Germany has gone extremely smoothly, and the product offer has been welcomed by the customers there. Our younger menswear title, Jacamo, one of our newer brands, has doubled its sales in the year, over 70% of them transacted online. Jacamo's results have been driven by an expanded range of branded clothing and footwear, with the larger sizes up to 66" chest and 64" waist usually being supplied exclusively to us.

Midlife
The midlife group of customers had sales of £421m that grew by 4% during the year. Our established brands, such as J D Williams, Ambrose Wilson, Fifty Plus and Oxendales, continued to provide the majority of sales in this category, although the strongest growth came from another one of our newer brands, Marisota. Its offer of contemporary fashion designed to fit real women has proved to be popular and over the last year its sales have increased by 83%. Our menswear brand Premier Man achieved a 9% increase in sales, as we switched the focus of marketing directly to the male customer himself rather than his female partner.

In September 2009 we acquired the brand and certain assets of High & Mighty, an upmarket menswear retailer in the big and tall niche, from the administrator for a consideration of £1.6m, and we are delighted with the progress so far. The brand recognition is extremely high and we will develop the website and catalogues as complementary to the 14-strong store portfolio.

Older
The older customer group saw a 5% decrease in sales to £53m in line with the performance of the ladieswear market in the UK. During the year we launched Julipa to provide a more substantial offering for the over 65 age group, comprised of all the suitable product lines which were already featured in other group catalogues. The results have been encouraging so far, and it will be further developed in 2010.

Customer Database
The number of our established customers who ordered during the year increased by 2% and the spend per customer also rose by 2%. Part of our conservative stance in 2009 was to hold the level of recruitment expenditure at the same level as in the previous year, as new customers have a higher credit risk. The change to the mix of recruitment between the different brands has resulted in slightly lower sales per new customer.

Product Categories
One of the key tenets of our business is the provision of an extensive range of products, with a high number of options around size, colour, length and fit. By storing over 150,000 options in just two distribution centres we are able to service demand for products even where the rate of sale is low. We have significantly expanded the number of product lines to our customers exclusively on the internet, which is the main reason for a 50% increase in total compared with last year.

Category	Revenue £m	% Growth
Ladieswear	356	1
Footwear	73	9
Menswear	67	17
Home & Leisure	194	4
Total	**690**	**4**

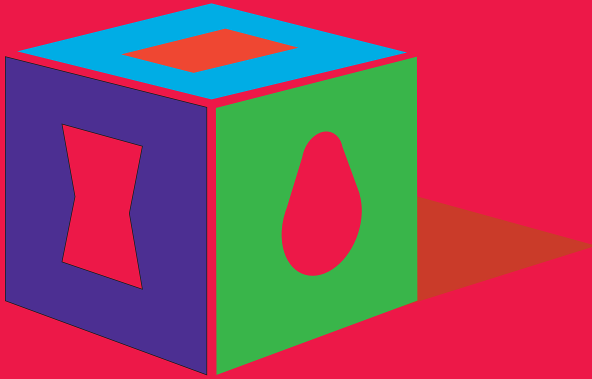
Ladies underwear and outerwear account for 52% of our total sales. We offer an extensive range of sizes, which go up to a size 38 with a large proportion available in multiple length options. Over half of our ladieswear sales are in sizes 20 and above, sizes which are hard to find on the high street. We have continued to see growth in our younger titles and hence remain focused on providing a fashionable offer with the availability of designer and branded ranges.

As a result, we have worked with designers such as Caryn Franklin, Anna Sholtz and Jeffrey Rogers, as well as celebrities such as Mica Paris to promote our products. We continue to work with fashion celebrity Gok Wan, who designs a range of shapewear exclusively for our Simply Yours lingerie brand, maintaining our focus on providing fashionable lingerie for women in an extensive range of sizes.

Menswear is a strategic area of focus which has grown rapidly with sales up 17% to £67m. This has been driven by the success of our Jacamo brand and the expansion of our menswear offer in Premier Man. Contributing to the success of both these menswear brands has been the ability to persuade more branded suppliers to produce garments in larger sizes, up to 66" chest and 64" waist, exclusively for our customers. The acquisition of High & Mighty adds to our strength in this area with its upmarket brands such as Ralph Lauren Polo, Animal and Paul & Shark as well as a range of casual and formal wear. Menswear now accounts for 10% of our total sales, but it is still under-represented relative to womenswear revenues and therefore there is still scope for significant growth in the future.

PUSHING
OUR BRANDS
FORWARD

When it comes to our newer brands, the star performers have been Marisota and Jacamo expanding our customer base by targeting the woman in her 50's who wants solutions to her clothing and footwear problems and the men in their 30's who want branded clothing in bigger sizes. Product innovations such as the UK's largest strapless bra have contributed to their strong performance. Launched in early 2009, Julipa, our 65+ flagship, has also attracted new customers with its new look and nine-shops-in-one catalogue.



FIT. WHATEVER YOUR SHAPE.

We've boosted our longstanding expertise in fit. The new magi-fit fashion and miraclesuit swimwear ranges have been popular and we've introduced even more sizes, including women's shoes up to a 10 and our legroom boots in 4 calf widths. We've also introduced personal style advice via fashion stylists Carol Spencer and Joy Wilson, shape guides and outfit recommendations plus an online personalised guide for customers.

Menswear sales up

17%

Younger customer sales up

8%

Sales from mid-life brands up 4% to

£421m

We remain the market leader for wider fitting footwear. We also provide a multi-fit range for customers with oddshaped feet and offer ladies boots with various calf and ankle fittings, emphasising our devotion to satisfying our customers whatever their shape or size. This year footwear sales increased by 9% with the fastest growth coming from the range developed for our younger customers. We have also produced some of our best selling styles in standard width fittings recognising that some of our ladieswear customers will not necessarily require wider fitting footwear.

Home and leisure sales have grown by 4%, accounting for 28% of total sales. Our Christmas Gifts catalogues were extremely successful and led to strong growth in the sales of gifts and toys, ranges which had been expanded in response to customer feedback. Sales of electrical products grew by 10% despite the tougher criteria we applied to our credit accounts to reduce the risk of bad debts on higher value products.

We have worked with selected suppliers to enable them to upload products directly onto our websites, enabling far more extensive ranges online than had previously been possible with products such as DVDs , computer games, plants and rugs as part of an ongoing programme.

An important part of our strategy is to encourage our customers to shop across our various product ranges. A key measure of this is the proportion of customers who purchase items during the year from each of the ladies clothing, underwear and footwear ranges. These customers not only spend more but also show a higher level of repeat purchasing. We are now expanding this concept to work across all of our ranges through active cross-selling programmes.

E-commerce

With online sales of £272m last year up by 21%, we remain one of the top online retailers in the UK overall and number one for ladies clothing in size 16 and above and for ladies underwear sold over the internet.

The internet is becoming increasingly popular with customers as they become more confident in shopping online and with a strong pipeline of initiatives and systems development, we are well placed to continue to hold our position as a market leader. Average order values online are over 20% higher than for orders placed through other channels, which is due to the wider selection of product available on our websites and the ease with which customers can search and browse our entire offering.

Online sales now account for 39% of total sales compared with 34% the previous year. The internet is at the centre of all our business development. We are encouraging more of our existing customers to transact online, the newer brands all have over 50% online participation and the number of product lines exclusive to the internet has grown dramatically.

Gross Margin and Credit

The group's gross margin is a complex combination of different product and customer segments, including the financial income and bad debts arising from the sales on credit. The overall rate of gross margin declined by 0.7%, with a fall of 1.6% in the first half offset by a 0.1% improvement in the second half.

The rate of gross margin on product sales has been ahead of the prior year, partly due to a lower level of dormant stock to be cleared. The policy to reduce our stock levels during the recession has been vindicated, and at the year end our inventories were 10.6% lower than the previous year at £62.4m.

We have implemented a number of changes to our credit policy during the year, raising the threshold for new account applications, changing payment terms and selectively restricting credit availability, particularly for high value items ordered by our younger customers. The consequence of these actions has been to reduce sales growth but it has also reduced the bad debt charge since implementation, resulting in an improving trend with a lower bad debt rate in the second half than the first half. This trend has continued into the current year.

Overheads

Stringent cost control, process improvements and the greater penetration of online sales have restricted the increase in our distribution, selling and administrative costs to just 2.9%. Distribution costs benefited from a 3% increase in the average item value, due to the mix of sales, and the key ratio of marketing costs to revenue improved through procurement savings.

Customer Service

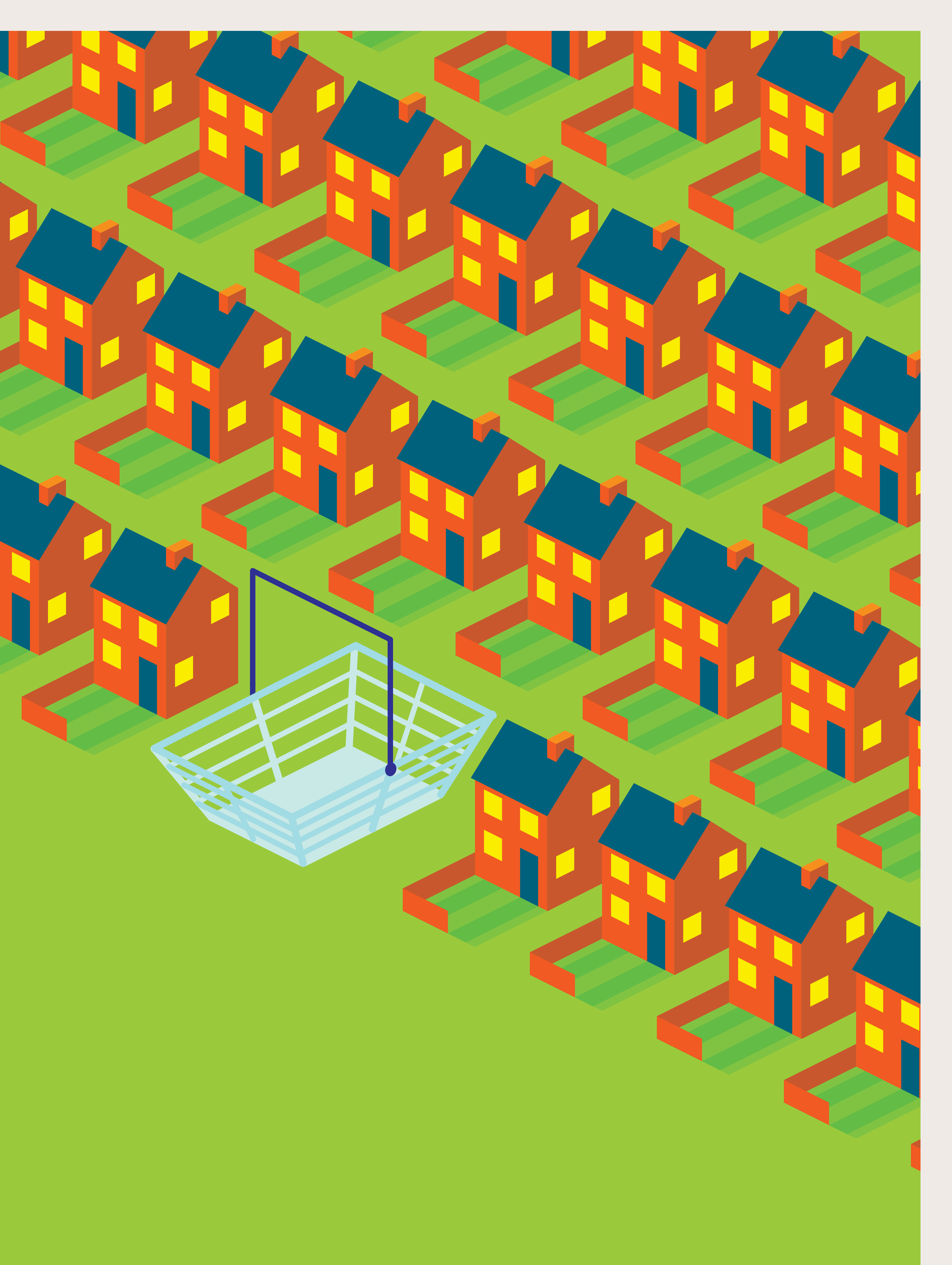
We have put an even stronger emphasis on great customer service this year to ensure our customers have no reasons to defect to our competitors, especially as there has been an increased level of discounting and promotions in retail generally. Our twice yearly survey demonstrated our success in this aim with the record level of satisfaction achieved since the survey began in 1996. This has been delivered by improvements in the supply chain, faster delivery of parcels, enhanced customer service as well as favourable reviews for product quality and the choice and visual appeal of the catalogues and websites.

Balance Sheet

The group has ended the year with a 12.7% increase in net assets to £319.0m and net borrowings which are down £48.2m to £170.1m, reducing gearing from 77% to 53%. The principal reasons for the cash inflow are the significant reductions in working capital (arising from only a small increase in trade receivables compared with the prior year and lower stock levels) and capital expenditure.

A BASKETFUL OF SALES

Online sales have grown strongly again this year and now account for 39% of sales. We've continued to innovate, with internet exclusives, online catwalks and personalised styling on our websites, as well as making the sites easier to use by improved contact management, registration, checkout and customer feedback. The exploitation of social media and active cross-selling promotions have also enhanced this growth.



Chief Executive's Review

Online sales up 21% to

£272m

Ladieswear sales up 1% to

£356m

Footwear sales up

9%

Outlook and Current Trading
The outlook for the UK economy over the next year remains uncertain, whatever the outcome of the general election, as increased taxation and reduced public expenditure are bound to impact disposable incomes. In addition inflationary pressure will impact input prices due to the weakness of sterling and high commodity costs. N Brown Group, however, is well placed to continue its growth with our flexible business model allowing us to adapt quickly to changing market conditions. In addition, our strategy of focusing on niche customer and product groups results in strong customer loyalty and our increasing strength within e-commerce gives us a strong base with which to enter the year ahead.

We have already had a positive start to the year, with sales for the 8 weeks to 24 April 2010 up by 4.1% in total, and 3.1% on a like-for-like basis. Online sales continue their strong growth and now account for over 40% of all sales.

We continue to see development opportunities in our core business focusing on maximising our existing customer relationships as well as launching new brands. These include Williams and Brown, targeted at the classic, but contemporary, fifty year old man, and That's My Style a more contemporary brand name which we believe will be attractive to 60-year old women who want clothing solutions but who have not traditionally been home shopping customers. Early signs for these new brands are positive. We will continue to invest across our brand portfolio and expect to see continued high growth from Marisota and Jacamo in particular.

Similarly we are using more well known brands and celebrities to expand our product offer at the higher price points. In 2010 we will be working with Joe Calzaghe, who will endorse the Jacamo range, and Arlene Phillips, who has designed a range for Marisota which will also be syndicated to other midlife brands.

E-commerce is at the heart of our revenue growth in the next few years, and we have major projects in progress to improve content management, registration, checkout and customer feedback. In addition there is a rolling program of tactical trading initiatives from the exploitation of social media to active cross-selling promotions.

This year will also see further expansion in our international offering. Following on from our trials in Germany, we will be launching Simply Be in the USA in late summer 2010 with a fully transactional website and catalogue offer. The plus size market in the USA is estimated to be worth $35bn and we believe a gap exists for a younger, fashion focused offer. We will service the orders from our UK base which significantly reduces the cost of the launch.

Having nursed the High & Mighty business through the immediate post-administration phase we are now looking to develop it positively. In 2010 we will look to open up to three new stores and relocate or refurbish at least another six of the fourteen stores we acquired. The product synergies within our total menswear range are being selectively exploited and we have started to produce catalogues which can be actioned through the stores, call centre or High & Mighty website, with the latter migrating to our internet platform this summer.

The performance of the group last year is a result of the expertise, creativity and endeavour of everyone who works at N Brown Group, and on behalf of the directors I cannot praise them enough for their efforts in guiding the business through a difficult external environment.

The current year will be no less challenging but if we maintain the focus on our niche customers and products, develop our online activities and progress our international trials I am sure we will enjoy another good year.

Alan White

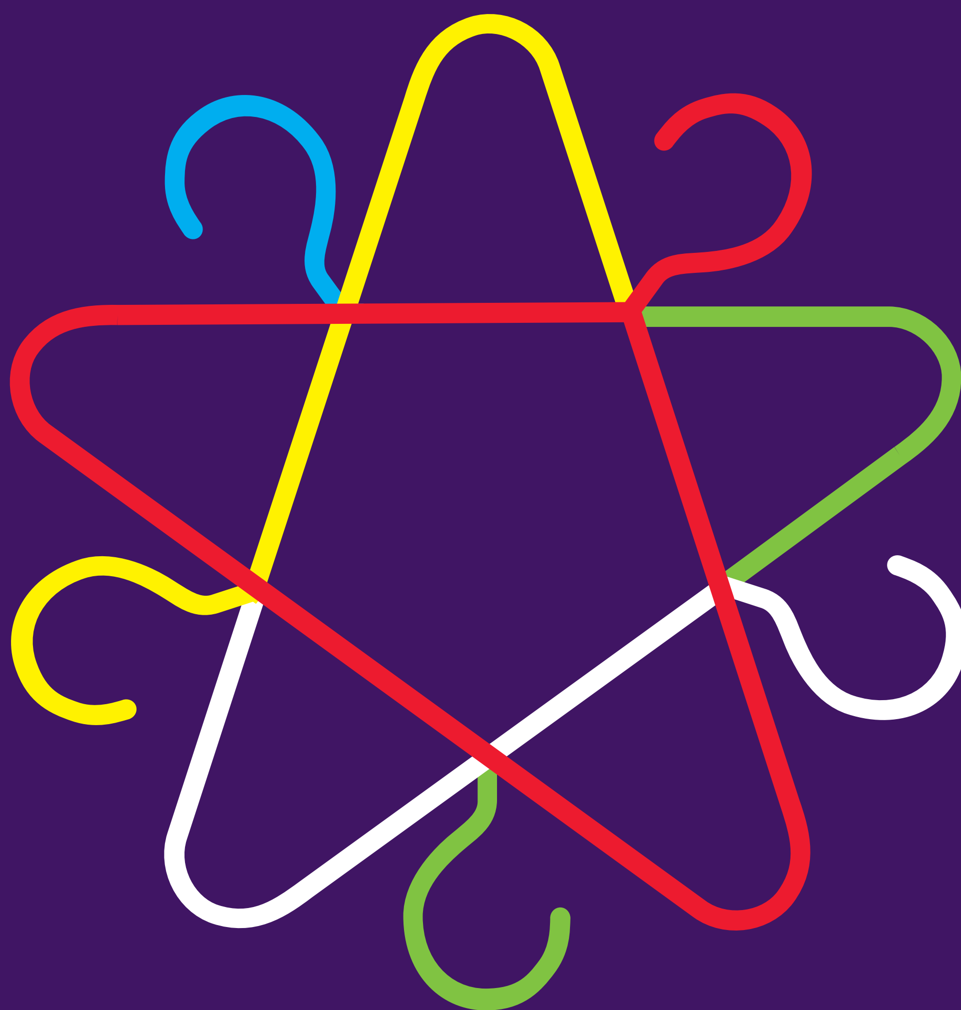
In September 2009 we acquired the retail chain, High & Mighty, for £1.6m taking 14 stores and the website. It offers significant growth potential and the opportunity to experiment with multi-channel retailing with high street stores and also exposure to the big and tall upmarket menswear market. We plan to triple sales and add stores in key cities.

HIGHER STREET

TAKING OFF OVERSEAS

The launch of Simply Be into Germany marked our next step into international markets, building on our long-established business in Ireland. Exporting an already successful range has efficiently gained us a foothold in a new territory and paved the way for our American launch later this year, looking for a share of the $35 billion plus size market.

This year we've further exploited celebrity connections. Mica Paris with her latest trends fashion range, Joe Calzaghe endorsing the Jacamo brand and Gok Wan designing a lingerie range in partnership with us have all been a huge success. In addition, unique partnerships with well-known labels, such as Gossard, Helly Hansen and Sergio Tacchini, who supply larger sizes exclusively to us and enhance our range.



STAR QUALITY

The 52 weeks to 27 February 2010 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 4.2% to £690.0m and adjusted pre-tax profit increased by 12.6% to £93.1m.

Group Trading Summary
Group operating profit for the same period rose to £97.6m (2009, £95.5m). This was achieved despite a 0.7% reduction in gross margin arising from a higher rate of charge for bad debts offset partly by a small improvement in product margins. Distribution costs rose by only 2.3% to £61.9m (2009, £60.5m) benefiting from a 3% increase in average item values. Sales and administration costs increased by only 3.1% to £202.5m (2009, £196.4m) assisted by further cost efficiencies arising from the customers' propensity to use the internet, process improvements and stringent cost control. As a result, the group's operating margin reduced slightly to 14.1%, compared with 14.4% last year.

Profit before taxation and fair value adjustments to financial instruments amounted to £93.1m (2009, £82.7m), benefiting from a reduction in net finance charges from £12.8m to £4.5m as a result of lower LIBOR rates and lower borrowings during the year. An adverse movement in the fair value of the group's forward foreign currency contracts contributed a loss of £7.4m compared to a £9.6m gain last year. The fair value of the forward contracts is their quoted market value at the balance sheet date and is outside the control of management.

Taxation
The effective rate of corporation tax for the year was 27.1% (2009, 32.7%). Last year's high rate was a result of the exceptional tax charge of £4.4m in respect of the phasing out of industrial building allowances. We expect our tax rate for the year ahead to be similar to this year.

Balance Sheet and Cash Flow
The strong trading performance has resulted in net assets increasing to £319.0m at the year end from £283.0m last year.

Total capital expenditure for the year was £13.2m (2009, £18.6m). The majority of the expenditure related to the ongoing development of our websites and supply chain management systems. There was minimal requirement for further investment in our warehousing and logistics operations during the year. Year-end stock levels were 10.6% lower than last year at £62.4m (2009, £69.8m), in line with our plans to manage the business prudently.

Trade debtors at the year end were up 2.4% to £447.0m compared to £436.6m last year reflecting in improvement in revenue and our more conservative approach to credit policy. The bad debt provision has increased to £47.0m (2009, £41.1m), which equates to 9.5% (2009, 8.6%) of gross debtors.

The group's defined benefit pension scheme deficit has reduced to £1.8m (2009, £4.0m) predominantly as a result of the planned additional contribution of £4.0m paid during the year but offset by an actuarial loss of £1.2m on the scheme's assets and liabilities. The final additional planned contribution of £4.0m will be paid in 2010. Further contributions may be made, if required, following consultation with the trustees of the pension fund.

Net cash generated from operating activities increased from £38.7m to £91.7m mainly as a result of the group's improved revenue coupled with cautious credit granting policies and lower stock levels. After paying for capital expenditure, finance costs and dividends of £44.7m, net debt was reduced by £48.2m to £170.1m (2009, £218.3m) and gearing improved from 77% to 53%.

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

- Like for like sales (see page 4).
- Internet sales (see page 11).
- The number of customer debtor accounts and their average debtor balance, which at the year end was 1,577,000 (2009, 1,640,000) and £303 (2009, £285) respectively.
- Mix of sales by product and customer groups (see pages 7 to 11).
- Gross margin (see page 11).
- Operating margin (see page 18).
- Interest cover (see page 4).

Risks and Uncertainties
There are a number of risks and uncertainties which could have an impact on the group's long-term performance. These include consideration of the general economic climate and the impact it has on the provision of credit to our customers and their ability to maintain payment terms; 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 in which 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 the group's business 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 the first quarter of 2012, of which £230m 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 annually renewable. In addition, the group also has two five-year revolving credit loan facilities of £50m each with HSBC Bank plc and The Royal Bank of Scotland plc. All the current facilities are arranged at floating interest rates at favourable margins compared to current market rates. Where appropriate, exposure to interest rate fluctuations on indebtedness is managed by using derivatives such as interest rate swaps.

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 $60m (2009, $65m).

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.

In determining whether the group's accounts can be prepared on a going concern basis, the directors considered the group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities. These are set out within this report and discussed further in the Chairman's Statement and Chief Executive's Review.

The group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the group's audited financial statements. These have been appraised in light of the uncertainty in the current economic climate. As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate will have on the performance of the group's debtor book.

The group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £320m which are committed until early 2012. It is the group's intention to open renewal negotiations with its bankers in the next twelve months to ensure appropriate levels of committed funds matching the group's medium term financing requirements are in place beyond 2012.

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

Shareholder Return
The share price of 199.75p at the start of the year had risen to 215.60p at the year end giving a market capitalisation of £600.2m (2009, £547.5m). In addition, the company's five year performance measured by Total Shareholder Return compared with the FTSE Mid-250 Index, which the company is a member of, shows that we are outperforming the market. An unchanged final dividend of 6.41p per share has been recommended by the board giving a total dividend for the year of 10.79p per share, up by 17.4%, covered 2.3 times (2009, 2.4 times).

Dean Moore

Directors and Officers

A)

B)

C)

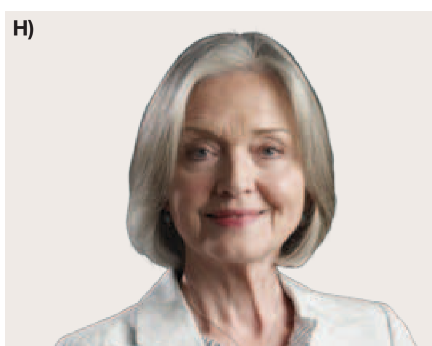
D)

E)

F)

G)

H)



I)

A) Lord Alliance of Manchester CBE (77)
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.

B) Alan White (55)
Chief Executive
Qualified as a chartered accountant with Arthur Andersen and was finance director for Sharp Electronics, N Brown Group and Littlewoods before returning as Chief Executive in 2002. He is a non-executive director of Topps Tiles plc and Regional Chairman of CBI North West.

C) Dean Moore (52)
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.

D) Nigel Alliance OBE (75)
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.

E) Ivan Fallon (65)
Non-executive Director a, b, c
Appointed a director in 1994 and Deputy Chairman on 1 March 2009. He was Chief Executive of Independent News & Media (UK) until March 2010; director of Truphone. Chairman of the remuneration committee.

F) Lord Stone of Blackheath (67)
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 Chairman of Sindicatum Climate Change Foundation and the health charity DIPEx. Chairman of the nomination committee.

G) John McGuire (61)
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. Vice Chairman of Royal Bank of Scotland Pension Fund Trustee Ltd. Audit Chair of Stockport NHS Foundation Trust. Non-executive Director of The University of Manchester. Chairman of the audit committee.

H) Anna Ford (66)
Non Executive Director a, b, c
Appointed a director on 1 March 2009. Non-executive director of J Sainsbury Plc, also Chair of their Corporate Responsibility Committee and member of the Remuneration Committee. Honorary bencher of Middle Temple.

I) Philip Harland (54)
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.

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

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Directors' Report

The directors present their report and accounts for the 52 weeks ended 27 February 2010.

Activities and results

The principal activity 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 17. Group profit before taxation from continuing operations for the 52 weeks ended 27 February 2010 amounted to £85.7m (2009, £92.3m). No geographical segmentation is provided as, apart from small operations in the Republic of Ireland and Germany, all activities take place in the United Kingdom.

Enhanced business review

The company is required by the Companies Act 2006 to set out in this report a fair review of the business of the group during the 52 weeks ended 27 February 2010 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, within the Chairman's Statement, the Chief Executive's Review and the Financial Review (pages 18 to 19) and is deemed to be incorporated in this report by this cross-reference.

The board has a policy of continuously identifying and reviewing key business risks and monitors a number of financial and non-financial Key Performance Indicators, which are detailed on page 18. The board oversees the development of processes to ensure these risks are managed appropriately and executive directors and operational directors are tasked with implementation and oversight of these processes and reporting to the board.

Dividends and reserves

An interim dividend of 4.38p per share (2009, 2.78p) was paid on the ordinary shares of the company on 8 January 2010. The net cost of this dividend was £12.0m (2009, £7.5m).

The directors recommend a final dividend of 6.41p per share (2009, 6.41p) for the 52 weeks ended 27 February 2010, the net cost of which will be £17.8m (2009, £17.5m). The dividend will be paid on 30 July 2010.

Movements in reserves are shown in the Consolidated Statement of Changes in Equity on page 47.

Acquisitions and disposals

As announced in September 2009 the group acquired certain assets of High and Mighty Limited from the joint Administrators for the cash consideration of £1.6m. This included the brand, website, stock and the assets of 14 stores based in the UK.

Share capital

Details of the company's authorised and issued share capital are shown in note 22 on page 65.

The company has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings of the company. There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation (except as set out below in the section entitled "Voting Rights and Restrictions on Transfers"). No person has any special rights over the company's share capital and all issued shares are fully paid.

Details of outstanding employee share options and the operation of the relevant schemes are shown in note 27 on page 67.

Annual general meeting

The annual general meeting is to be held on 6 July 2010. 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 20. In accordance with the provisions of the Combined Code (2008) 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 Dean Moore and John McGuire will retire at the next annual general meeting and, being eligible, offer themselves for reappointment at that meeting.

Details of directors' interests (beneficial and non-beneficial) in shares of the company are given in the Remuneration Report on page 42 and are deemed to be incorporated into this report by 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 Act. The powers of directors are described in the board terms of reference and the Corporate Governance Report on page 27.

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 42 and in accordance with Chapter 5 of the Disclosure and Transparency Rules, the following notifications had been received from holders of notifiable interests in the company's issued share capital at 30 April 2010:

	Holding	% of issued share capital
Threadneedle Asset Management Ltd	14,190,152	5.10
Standard Life Investments	12,164,198	4.37

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 27 to 30.

Ethics
The board regards the maintenance of the highest ethical standards in business as an essential characteristic of the way in which the group conducts all of its business. A code of ethical conduct covering commercial standards, conflicts of interest, gifts and hospitality has been circulated to and agreed by all employees. All senior managers and employees of the group are required to comply with both the letter and the spirit of the code in all their dealings for and on behalf of the group.

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

- conduct all dealings with each other and externally with honesty, integrity, respect 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;
- avoid any situation or action, which could cause damage to the group's reputation; and
- foster a teamworking environment in which praise and recognition play key roles.

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

A register of gifts and benefits offered by suppliers and other parties whether accepted or declined is maintained under the control of the group head of internal audit. 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. No 'whistleblowing' events were reported in the year.

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 Keith Risk, director of logistics, who sits on the operational board of J.D. Williams & Company Limited. In addition, the company actively pursues a number of environmental policies, including those designed to contain energy costs, achieve the active recycling of paper and packaging materials wherever practical, and promote the widespread use of information technology to reduce the level of consumption of paper by its employees. In the year under review the group has worked very closely with the Carbon Trust and has engaged external consultants, Envantage Ltd and Storm Waste Ltd to advise on the formulation of the group's policy on energy consumption and waste management.

The group adopts a full life-cycle view of all packaging products used in its operations. Wherever practicable, packaging components are made from materials and processes causing minimum harm to the environment when either manufactured, processed, recycled or eventually disposed of. The group's paper packaging is made from a minimum of 70% recycled paper and all other paper used by the business is sourced from 100% recyclable papers. Wherever possible, paper used in the printing of our catalogues is derived from managed and renewable sources accredited by the Forest Stewardship Council. The following environmental "mileposts" have been achieved in the current financial year: -

- A decrease in electricity consumption of 788 thousand kilowatts.
- A reduction of 426 tonnes of CO_2 emissions per annum.
- A reduction of gas consumption of 30%.
- Water consumption down 31%.
- A reduction in carbon footprint of 953 tonnes since 2007/2008.
- Third place in the FTSE 350 Carbon Disclosure Project 2009.
- 90% of group waste is now recycled.

The group has committed to achieving 0% waste to landfill by 2011.

Employees

- Employee involvement. The group firmly believes that continuing success can only be achieved by an engaged, enthusiastic, motivated and well-trained workforce. Consequently, considerable resources are devoted to employee training. Frequent departmental team briefings are held and an employee engagement survey is conducted regularly. A Consultative Forum operates within the logistics division where employees from all levels contribute and share ideas that help shape the culture of the business. This division has also achieved Investors in People accreditations and it is planned that the group will achieve this standard across all areas of the business. 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.

A large proportion of the group's training and development activity is delivered by our in-house learning and development team, which is supplemented by external training in the specialist technical and IT training arenas.

As well as individually tailored training, there is also a suite of self-training tools available which covers a range of topics from negotiation skills to effective influencing. All employees are free to request attendance at any of these workshops, which encourage them to be proactive and take ownership of their own skills development. An online database – "simplydevelopment" – exists which enables employees to access a wide range of self-development activities, tools and information.

- 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. Union membership is encouraged and regular communication with the union is facilitated through 'partnership forums' established on the principle of shared commitment to business success, employment security and development with a particular emphasis on quality of life, openness and adding value.

- 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.

An all-employee survey carried out in 2008 (to be repeated in 2010) revealed a balanced working population spread across a diverse range of ethnic origins, gender and age-groups.

Applications for employment by disabled persons are always 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 employees by inviting them to compete for a nomination to receive an award for outstanding customer service.

- Health and safety. The group's policy is to ensure compliance with all relevant legislation to ensure, as far as is reasonably practicable, the health, safety and welfare at work of its employees, contractors and visitors. Pre-employment questionnaires, physiotherapy, audiometry, an improved management referral process and rehabilitation programs have enabled occupational health issues to be better controlled.

Cumulative group accidents statistics show that in the year under review there was a 25% reduction in those incidents requiring statutory reporting under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995, with the group's Reportable Accident Incidence Rate at nine incidents and overall accident statistics down 28% at 181 accidents. These statistics are the lowest on group record to date demonstrating a significant reduction in major injuries per population of employees and a commitment to employee health and safety. The group was awarded the Gold Award in ROSPA's Occupational Health & Safety Awards in 2009, recognising its commitment and leadership in health and safety matters as well as its well-developed health & safety management systems and culture. As a responsible retailer and employer we endeavour to ensure that all products and services sold by us or used in the workplace are designed so that they are safe and without risk to the end-user in proper use.

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 practice to:-

- Agree the terms of payment at the start of the business relationship with suppliers.
- Ensure that all suppliers are made aware of the terms of payment applicable to the contract.
- Pay in accordance with contractual and other legal obligations.

Trade creditors of the group at 27 February 2010 represented 38 days (2009, 41 days) of purchases.

The group is aware of the potential social impact of its business dealings, particularly in developing countries. Our standard conditions of contract, for the purchase of all products for resale require that our suppliers must adhere to a code of conduct in respect to their labour force that includes freedom of employment; freedom of association and the right of collective bargaining; all employees work in safe and hygienic conditions; there is no recruitment of child labour; a living wage is paid for the country of origin; working hours are not excessive; there are no discriminatory practices; no harsh or inhuman treatment of labour. In addition, all labour, safety and relevant laws local to the country of manufacture must be observed.

Based around the Ethical Trading Initiative (ETI), the group has issued self-assessment forms and 'Code of Conducts' to all suppliers. At the date of writing 803 suppliers have been issued with self-assessment forms and just over 60% have responded with the remainder being pressed to do so. Once the assessment forms are returned suppliers are rated and graded by reference to the ETI Base Code and International Labour Organisation Codes.

We will work proactively with suppliers to correct any non compliance. Continued non compliance will lead to de-selection. It is the intention to audit this process by means of random announced and unannounced visits and consideration is being given to joining one of the external agencies active in the area of ethical trading and social responsibility such as ETI and SEDEX.

Community
The group is committed to investment in, and support of, the communities in which it operates. The family, health and well-being programme, now in its sixth year, is actively supported, and continues to provide additional benefits for all our employees.

The group maintains close links with the Christie Hospital in Manchester, the Marie Curie Foundation Breast Cancer Awareness and the Retail Trust. It also regularly encourages employees to participate in fundraising activities for these, and other worthwhile causes. These events can be anything from national support such as Children in Need and the Alzheimer's Society to very local causes for hospices and children's hospitals in and around Greater Manchester. The group 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, money was raised for noteworthy causes such as Bowel Cancer UK (sponsored marathon) and Marie Curie (£57,000 worth of daffodil pins sold). The group supported the Canal Boat adventure charity where employees paid for more than 100 deprived and disabled children to enjoy a holiday. In addition the group's employee's organised fund-raising activities to assist the following good causes:

- Comic Relief;
- Many Hands Campaign for Manchester's new children's hospital;
- Help for Heroes;
- DEC Haiti relief fund;
- Willow Wood Hospice;

- Beechwood Cancer Care;
- Children in Need;
- Springhill Hospice; and
- Cornerstone Charity for the homeless.

In 2009/10 a record number of employees were involved in charitable events. Numerous separate charitable fundraising events were held by employees and sponsored, or participated in, by the group, raising more than £37,000.

In August 2009 the group donated a considerable quantity of clothing stock to Wood Street Mission in Manchester, a charity established to help poor families and children. The quantity of stock donated is to be used towards assisting up to 1400 families (based on assisting 140 families per month) with clothing, bedding and baby equipment.

Charitable and political donations
During the year, the group made charitable donations of £70,569 (2009, £85,211). No political donations have been made (2009, 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. A trustee company, which is controlled by a board of directors, administers the fund's assets. One of these is an independent professional trustee and the rest 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.

N Brown Group plc (and some of its associated companies) are required to indemnify the trustee company and its officers in respect of certain liabilities incurred by them in the performance of their obligations relating to the N Brown Group Pension Fund or in administration of the Fund. This amounts to a "qualifying indemnity provision" (as defined in section 236 of the Companies Act 2006).

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.

Further to the arrangement agreed with the Pensions Regulator in January 2007 as part of the company's 'B' share return of value scheme, the company paid an extra £4m into the pension fund during the relevant year in continued reduction of the funding deficit.

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 19 on page 61. The group's risk management policies and procedures are also discussed in the Financial Review on page 18.

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. Directors' 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. No events were reported in the year.

Tax status
The company is not a close company within the meaning of the Corporation Taxes Act 2010.

Auditors
A resolution to reappoint Deloitte LLP as auditors to the company and to authorise the directors to fix their remuneration will be proposed at the annual general meeting on 6 July 2010.

Voting rights and restrictions on transfer of shares
None of the ordinary shares carry any special rights with regard to control of the company.

There are no restrictions on transfers of shares other than:

- Certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- Pursuant to the company's code for securities transactions whereby the directors and designated employees require approval to deal in the company's shares;
- Where a person with an interest in the company's shares has been served with a disclosure notice and has failed to provide the company with information concerning interests in those shares;

The company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. The rights and obligations attaching to the company's ordinary shares are set out in the Articles of Association.

Employee share schemes – rights of control
The trustees of the N Brown Group plc Employee Share Ownership Trust and the trustees of the N Brown Group plc No. 2 Employee Share Ownership Trust hold shares on trust for the benefit of the executive directors and employees of the group, which are used in connection with the company's various share incentive plans. The trustees currently abstain from voting the shares but have power to vote or not at their discretion in respect of any shares in the company held in the relevant trust. The trustees may, upon the recommendation of the company, accept or reject any offer relating to the shares in any way it sees fit, without incurring any liability and without being required to give reasons for their decision. In exercising their trustee powers the trustees may take all of the following matters into account:

- The long-term interests of beneficiaries;
- The interests of beneficiaries other than financial interests;
- The interests of beneficiaries in their capacity as employees or former employees or their dependants;
- The interests of persons (whether or not identified) who may become beneficiaries in the future; and
- Consideration of a local, moral, ethical, environmental or social nature.

Going concern
The directors have adopted the going concern basis in the financial statements and their opinion is explained in the Financial Review on page 19.

Liability
All the information supplied in the Chairman's Statement on pages 4 to 5, the Chief Executive's Review on pages 6 to 17, Financial Review on pages 18 to 19, Remuneration Report on pages 31 to 42

and the Corporate Governance Report on pages 27 to 30 form part of this Directors' Report. Any liability for the information is restricted to the extent prescribed in the Companies Act 2006.

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they 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 the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- ensure applicable UK Accounting Standards have been followed and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each person who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any information to establish that the group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the board

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

11 May 2010

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is 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 undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board

Alan White
Chief Executive

Dean Moore
Finance Director
11 May 2010

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 2008 (the "Code"). The purpose of this statement is to explain how the group has applied the principles of good governance set out in the Code.

For the year in review the group has complied with the provisions set out in section 1 of the Code. Explanations of how the main principles of the Code have been applied are set out below and in the Director's remuneration report.

Board composition
The board currently comprises eight members, six 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 non-executive directorship of the board comprises 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 Code, the deputy chairman Ivan Fallon, Lord Stone of Blackheath, John McGuire and Anna Ford. All of these are considered by the board to be independent.

Ivan Fallon was appointed to the board in October 1994 and he has now 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 commercial experience, acumen and extensive knowledge of the group's businesses gained during his tenure on the board are of such great value to the board that this far outweighs any considerations of non-independence. Ivan Fallon is also the senior independent non-executive director and the deputy chairman.

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 requisite skills, experience and judgement appropriate for the requirements of the business and board effectiveness.

One third of the board is required to retire every year. Accordingly, all directors are subject to re-election every three years. All directors joining the board are required to submit themselves for election at the annual general meeting following their appointment. All non-executive directors serve the company under formal written terms and conditions of appointment. These terms of appointment stipulate a period of service of an indefinite duration terminable on six months notice by either party. All non-executive appointments 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 2010 annual general meeting and, being eligible, will offer themselves for re-election. Dean Moore and John McGuire will retire by rotation at the 2010 annual general meeting in accordance with the company's articles of association and, being eligible, offer themselves for re-election.

The board, having carried out a performance evaluation, considers that the performance of all directors, including those facing re-election continues to be effective. Sufficient biographical detail is provided on page 20 of this annual report 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 all appointees have the requisite skills and sufficient time to devote themselves effectively to the business of the board and to discharge their duties.

Details of directors' contract terms are shown in the Remuneration Report on page 37.

Board operation
An effective board of directors leads and controls the group. The members of the board are shown on page 20 of this report. The board met 8 times during the year. Director's attendance at board meetings was as follows:

	Attendance
Lord Alliance of Manchester CBE	8
Ivan Fallon	8
Alan White	8
Lord Stone of Blackheath	8
Nigel Alliance OBE	8
Dean Moore	8
John McGuire	8
Anna Ford	7

The board is responsible for major policy decisions, delegating detailed operational matters to its committees and sub-committees and senior officers where necessary. The board is collectively responsible for providing effective leadership and promoting the success of the group and has established 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 all decisions on business strategy, the approval of financial statements, the annual capital and operating expenditure plans, investment, treasury and dividend policies, governance issues, major capital projects, overseeing the group's risk control procedures, board membership and the composition of its committees and the groups ethical, social and environmental policies. Currently, at least one of the board's meetings at the start of each year is held over two days and is entirely devoted to the development and review of corporate strategy and the development of the group's three year business strategic plan. Day-to-day operational management of the group is delegated to the home shopping board of JD Williams & Company Limited.

The board governs through clearly mandated committees, accompanied by robust monitoring and reporting systems. Further detail is given below.

A comprehensive set of board papers including detailed management reports from the Chief Executive and the Finance Director, management accounts, broker analyses and shareholder analyses and bespoke reports from the home shopping board is circulated to each director not less than seven days prior to each board meeting. Non-executive directors are encouraged to visit and talk to operational staff and undertake regular site visits to

ensure they have the most up-to-date knowledge and understanding of the company and its activities. 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 qualified solicitor and who attends all board and committee meetings. The Company Secretary is charged with providing timely and comprehensive advice to the board on legal, regulatory and governance issues, shareholder engagement matters, continuing director education and ensuring the timely dissemination of information relevant to the group's activities and the statutory duties and obligation of the directors.

In the year under review the board, once again, undertook an appraisal of its own performance and effectiveness, that of the Chairman and that of its committees. The engagement of an external body to manage the performance evaluation process was considered but the board concluded that the approach adopted in the previous year remained robust enough, appropriate and cost efficient for the company. The evaluation process consisted of the individual completion of a questionnaire containing 26 detailed questions ranging from the effectiveness of individual members, the size and number of board reports, relationships with management, the mix of skill-sets, individual contribution at board meetings to the effectiveness of the Company Secretary. The questionnaire was completed by all directors in relation to the board and also any committee of which they were a member. The process is designed to establish whether each director continues to meet the board's requirements in terms of effective contribution, skills and devotion to the role. The evaluation results were collated by the Company Secretary for review by the Chairman and then joint review by the board. The performance of the Chairman was reviewed and appraised by the senior non-executive director in consultation with the other board members. The Chief Executive's performance was reviewed and 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 a similar manner to the Chief Executive.

The evaluation concluded that the board and committees continue to operate well, are effectively led and that robust, open and frank discussion and challenge to both the operational divisional directors and group's executive directors exists in all areas. The survey found that the board continues to be effectively led by the Chairman and that information provided in the form of board papers remains comprehensive and sufficient for the director's needs and that each director is individually contributing to the overall effectiveness and success of the group.

Beyond the formal annual evaluation, the performance of the executive directors is continuously monitored throughout the year by the Chairman and the Deputy Chairman.

Director's conflicts of interest
The articles of association of the company were amended at the 2008 annual general meeting, with effect from 1 October 2008, to permit the board to consider and, if appropriate, authorise conflict situations where a director's declared interest may conflict or does conflict with the interests of the company.

Directors were required to notify the Company Secretary of all potential or actual conflict situations as at 1 October 2008 and at that time procedures were set in place to regularly report and record any conflicts which arise in a register to be reviewed by the board at least annually.

No conflicts have been reported as at the date of this report.

Committee structure
The board has delegated specific authorities to a number of sub committees to deal with specific aspects of management and to maintain supervision over the internal control procedures of the group. These committees meet regularly and have formal written terms of reference which are available for inspection 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; and
- Nomination committee.

After each committee meeting the chairman of that committee makes a formal report to the board of directors detailing the business carried out by the committee and setting out its recommendations.

Audit committee
The audit committee consists entirely of non-executive directors the board consider to be independent. The current chairman is John McGuire. The other members are Ivan Fallon, Lord Stone of Blackheath and Anna Ford. 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, the group head of internal audit and the group's external auditors.

The committee met 2 times in the year under review. Committee attendance was as follows:

	Attendance
Lord Stone of Blackheath	2
John McGuire	2
Ivan Fallon	2
Anna Ford	2

The audit committee is charged with overseeing the nature and scope of the group audit process (both internal and external) and its effectiveness. This entails reviewing and approving the annual internal audit programme and resources, meeting with the internal and external auditors and considering the annual and interim financial statements before submission to the board. The committee receives and reviews the audit, audit-related and group taxation reports provided by the external auditors, Deloitte LLP. The committee also reviews the group's system of internal risk control and reports its findings twice yearly to the board. On each occasion it meets, the committee will discuss audit and audit-related matters with the external auditors in the absence of the executive directors and internal audit. Additionally, the chairman of the committee also regularly attends the group's head office and holds "ad-hoc" meetings with the Finance Director and the group's head of internal audit. The audit committee is also charged with the oversight and management of the group's whistleblowing procedure which contains procedures for the committee to receive, in confidence, complaints on all operational matters.

The committee has established a continuous process for identifying, evaluating and managing the significant risks the group faces. This monitoring is principally based on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether

any significant weaknesses exist and are addressed. The committee members have also evaluated and scored their own specific assessment of key risks. Further details are given later in this report.

The board consider that the processes of the audit committee continue to be effective and to comply with the guidance issued by the Smith Committee. During the year under review the board has not been advised by the audit committee, nor identified itself, of any failings or weaknesses in internal control which it has determined to be material.

The audit committee reviews the appointment of the external auditors as well as their relationship with the group, including monitoring the group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. Deloitte LLP have been the group's auditors for a number of years. Having reviewed the independence and effectiveness of the external auditors, the committee has not considered it necessary to require them to tender for the audit work. Deloitte LLP have during the year also provided non-audit services to the company in the form of tax and corporate finance 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, the company has appointed independent advisors to provide advice on executive remuneration issues and pension matters where appropriate. These advisors do not provide the group with any other services which could bring into question their independence or provide any conflict of interest (further details are set out in the Remuneration Report on page 31).

As a result of its work during the year, the audit committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The external auditors are required to rotate key audit personnel every five years. The current lead audit partner, who has been in place for five years, will be replaced for the next financial year end. There are no contractual obligations restricting the group's choice of external auditor. The committee has recommended that the existing auditors, Deloitte LLP be reappointed.

Deloitte LLP have signified their willingness to continue in office and ordinary resolutions appointing them as auditors and authorising the directors to set their remuneration will be proposed at the 2010 annual general meeting.

Remuneration committee
The remuneration committee consists entirely of non-executive directors regarded by the company to be independent. The current chairman is Ivan Fallon. The other members are Lord Stone of Blackheath, John McGuire and Anna Ford.

The remuneration committee met 4 times during the year. Member's attendance was as follows:

	Attendance
Lord Stone of Blackheath	4
John McGuire	4
Ivan Fallon	4
Anna Ford	4

The purpose of this committee is to review, formulate and determine the remuneration package of each executive director and other members of the board and to consider how the company is applying the principles of the Code in respect of directors' remuneration.

A comprehensive Remuneration Report is included in this Annual Report on pages 31 to 42. The report will be put to an advisory vote by the members at the company's 2010 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, John McGuire and Anna Ford. 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 to perform the duties of the post. Where appropriate, external search consultants are engaged.

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 Company Secretary provides an ongoing programme of briefings for directors covering legal and regulatory changes and developments relevant to the group's activities and director's areas of responsibility.

During the year the nominations committee did not have occasion to meet.

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 and management against material misstatement, loss or failure. No system can guarantee elimination of the risk of failure to meet the objectives of the business. The board has established a continuous process for identifying, evaluating and managing the significant risks the group faces.

The group's ongoing assessment of risk and continual review of the structure of internal controls remains in place. In order to ensure key business developments are appropriately factored into the risk management process, internal audit facilitated two specific board-level risk sessions in the period. The chief executive of the group and the finance director along with operational management reviewed the key risks facing the business and appraised the structure of internal controls to mitigate these risks. In a separate session the audit committee provided a top-down view of risks across strategic, financial and operational areas. The results were collated by internal audit and have been used as a key driver for the annual internal audit plan and have been reported to the board.

The risk committee focuses on reviewing management's activities to continually monitor, reduce and eliminate the risks identified. Operational management are asked to present to the risk committee on a cyclical basis on the progress of agreed actions against each major risk identified. The output from the risk committee is shared with the audit committee twice annually, and the chief executive of the

group and audit committee chairman by exception, if required. The group head of internal audit acts as the chairman of the risk committee.

In pursuance of the above, the board of directors (through and with the benefit of the reports and recommendations of the audit committee) has reviewed the effectiveness of the system of internal risk control for the year under review. As well as receiving regular reports from the risk committee described above, the board (through the audit committee) discusses with the external auditors and the internal audit department, the results of their work and any resulting internal control issues, including the implementation of action points arising from previous audits.

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

Appropriate internal financial controls are in place 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 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 material.

Relations with investors

The company places considerable importance on good communication 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 company 'roadshows'. All non-executive directors are kept informed of shareholders' views through detailed feedback on surveys and polls and analyst and broker reports are tabled at each board meeting. The senior non-executive director makes himself 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 the information it discloses in the annual report, the yearly and half yearly announcements and interim management statements and that shareholders have the opportunity to meet with the executive management team at least twice a year at the announcement of the group's results, at the analyst's financial presentation and also by constructive use of the annual general meeting. Non-executive and executive directors also attend meetings with shareholders on request. 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 and it's activities. Shareholders views and feedback reports are also included in the director's board packs as and when received.

Remuneration Report

Introduction
This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. 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 relating to directors' remuneration set out in the Combined Code on Corporate Governance (2008) ("the Code").

This report will be put to an advisory vote of the company's shareholders at the annual general meeting on 6 July 2010. The auditors are required to report on certain parts 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 2006. The report is therefore divided into separate sections for audited and unaudited information.

Unaudited information:

Remuneration committee
The board has established a remuneration committee constituted in accordance with the recommendations of the Code ("the committee").

During the financial year, the committee comprised Ivan Fallon (chairman), Lord Stone of Blackheath, John McGuire and Anna Ford, all of whom are non-executive 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 and on the corporate website. The committee met four times during the year, with full attendance on each occasion.

The committee's work is supported by independent professional advice. Deloitte LLP, in their capacity as the company's auditors, also provided tax services to the group. Remuneration benchmarking and other remuneration data taken from Deloitte publications were also used. Ernst & Young LLP provided advice in respect of certain executive remuneration issues while Pinsent Masons LLP and Addleshaw Goddard LLP both provided legal advice in relation to the company's share incentive arrangements as well as general group legal advice. The committee also received further advice in respect of the chief executive's pension arrangements from Mercer Human Resource Consulting Limited, Deloitte LLP and Pinsent Masons LLP. The latter two are general advisers to the company who were not specifically appointed by the committee. Ernst & Young LLP and Mercer Human Resource Consulting Limited were specifically appointed by the committee. The terms of reference of the company's professional advisors are available on request from the Company Secretary. In determining the Finance Director's remuneration for the year, the committee also consulted with Alan White, the Chief Executive. No director played any part in any discussion about his own remuneration.

The board and the remuneration committee have reviewed the group's compliance with 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 under review.

During the year the committee discussed the following matters:

- Reviewing and benchmarking the competitiveness of the remuneration policy and arrangements for executive directors and other members of senior management as well as other board and committee members.
- Reviewing the salary levels for executive directors and the senior members of the operating division.
- Agreeing the bonus payable for the 2009 /2010 period.
- Setting the parameters for the bonus scheme for 2010/2011.
- Agreeing the individual long-term share awards for 2009-2012 and reviewing the performance measures and targets applying to these awards.
- Approving vesting levels of long term and deferred bonus incentive schemes for the 2006-2009 and 2007-2009 schemes respectively.
- Approving this remuneration report.
- Reviewing current investor guidelines on executive remuneration.

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, sufficiently stretching and linked to profitability and 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 programme, a value-creation incentive scheme, a pension and other benefits in kind including a company car allowance and medical insurance.

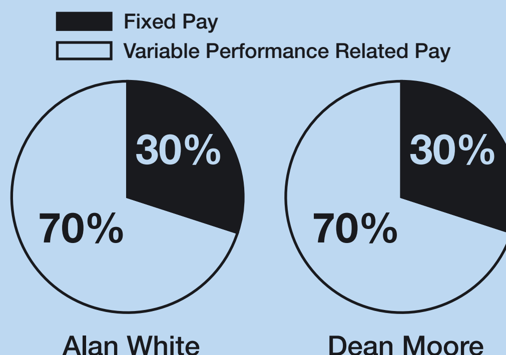
The committee regularly reviews the structure of executive remuneration, including the balance between fixed and variable pay, to ensure that it remains competitive and stretching. All pay and incentives are subject to the individual review and scrutiny of the committee, particularly in the case of share incentives both at the granting and the vesting stage. All remuneration is set and reviewed by reference to improvements in financial and individual performance and is benchmarked to attract and retain the highest quality people. This 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 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 or the taking of undue risks with the business.

A comprehensive review of the bonus and remuneration structure and the use of long-term share based incentives was undertaken in 2008. The main outcome of that review was that a new long term incentive plan, the Value Creation Plan 2009, be introduced and shareholder approval for this plan was obtained at the company's 2009 General Meeting held on 26 February 2009.

As a further consequence of the review the committee implemented revised vesting arrangements for Long-term Incentive Share Plan ("LTIP") awards from 2009 onwards whereby the quantum of the award, which might vest at median performance, be reduced from 50% to 25% in line with best practice.

The charts as follows demonstrate the balance between fixed and variable performance based pay for each executive director.

Analysis of Performance vs Non Performance element of Remuneration Package



Basic salary
When determining the salary of the executive directors the committee takes into consideration the levels of base salary for similar positions with comparable status, responsibility and skills in competitor organisations of broadly similar size and 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 and are subject to absolute improvements in group profitability and performance against personal and corporate objectives and peer-group benchmarking.

The current salaries of the executive directors are shown in the table below

Salaries as at June 2009	
Alan White	£500,000
Dean Moore	£262,500

In light of prevailing economic conditions, after reviewing the salaries of the executive directors, the committee decided to recommend no increase to the executive directors' salaries in 2009.

Annual performance-related bonus
The executive directors and senior executives participate in one of a number of annual performance-related bonus schemes at the invitation of the committee. Each scheme is designed to thoroughly stretch the performance of the executive and is linked to absolute growth in annual profit, the achievement of certain 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 long-term future of the company and that they continue to remain stretching and challenging. The targets are linked to KPI's which are drawn from, and relate to, the achievement of 'mileposts' contained in the company's strategic three year plan. They are therefore aligned to the strategic objectives of the company and aimed at increasing shareholder value, whilst being prudent and safeguarding the long-term future of the company. The maximum potential bonus payable to an executive director for 2009/10 and 2010/11 is 100% of basic salary. 75% of any bonus earned is payable in cash and 25% is deferred net of tax into company shares for two years and eligible for a 1:1 match on the pre-tax value of the shares. Awards of matching shares are released two years from their date of award provided the executive remains in employment and are subject to a financial performance condition requiring that growth in the company's earnings per share must at least equal the growth of the retail price index over the deferral period.

The company's Deferred Annual Bonus Scheme, pursuant to which matching shares are awarded, expires in 2011 and shareholder approval will be sought a the 2010 annual general meeting for its renewal, as described in the Notice of Annual General Meeting.

The performance targets used for 2009/10 were based on a combination of absolute growth in profit over the previous year's reported profit before tax, implementation of new company processes that will either be revenue enhancing or cost saving and the achievement of personal objectives. The performance targets for 2010/11 have recently been reviewed and, once again, will be based upon a combination of profit growth and the achievement of personal and corporate objectives.

For the year under review the annual bonus for the executive directors was made up of 3 components, namely group profit (80%), achievement of corporate objectives (10%) and the achievement of personal objectives (10%). For 2009/10 the achievement of each element the bonus was scored as follows for both executive directors: -

(a) Group profit (80% of bonus)
The targeted adjusted profit before tax range for bonus purposes was £84.2m to £93.0m, compared with the prior year adjusted result of £83.0m. Adjusted profit before tax for 2009/10 was £93.4m, therefore the bonus payment due under this element of the scheme was 100%.

(b) Corporate objectives (10% of bonus)
The corporate objective for the year in review was to implement company process changes that would generate incremental revenue or cost savings of up to £3.0m per annum. Cost savings in excess of £3.0m were achieved and therefore the payment due under this element of the bonus scheme was 100%.

(c) Individual performance objectives (10% of bonus)
Several individual performance objectives are established for each senior executive. These are stretching objectives designed to achieve exceptional improvements against the prior year or budgeted results, or the delivery of a key strategic project linked to corporate strategy. In the year in review amongst Alan White's personal objectives were to improve customer service by reducing the enquiry level by 10%, to develop the online capabilities, to increase on-line order penetration from 38% to 42%, to take measures to improve the bad debt to sales ratio and to develop the international business in both Germany and the United States. Amongst Dean Moore's personal objectives were objectives to achieve procurement

savings of £3.0m, commercial savings of £1.5m and to enhance EPS growth by 1p from tax planning and other profit measures. The achievement for the individual performance objective elements of the bonus scheme for the executive directors was adjudged by the committee and the group Chairman to be as follows:

- Alan White 6.9%
- Dean Moore 7.0%

Based on the results of the three elements comprised in the annual bonus scheme, the bonus payable for the year under review, 25% of which is compulsorily converted into shares and deferred for two years, is as follows: -

Name	Alan White	Dean Moore
2009/10 Bonus & Deferred Shares Paid	£484,500	£254,625
2009/10 Matching Share Award (Contingent)	£121,125	£63,656
Total 2009/10 Bonus & Matching Share Award as a %age of Salary	121.1%	121.2%

The remuneration committee of the company recently decided to recommend to the board that for all future years the bonus scheme should be scored less on the achievement of profit and more on the achievement of objectives in the 3-year plan. Accordingly for 2010/11 the components of the annual bonus scheme will be made up of group profitability (70%), corporate objectives (15%) and individual objectives (15%).

Share incentives
Subject to the review of the committee, executive directors and senior executives are considered to participate in one of either the company's long-term incentive plan or one of its executive share option schemes. The committee's policy is that combined awards under both plans shall not be made other than where individual contribution to the performance of the group has been exceptional or on recruitment. In addition, it is the committee's policy only to grant combined grants where full consideration has been given to the following:

- the accounting impact and cost for the company and the dilutive cost for shareholders for a given share commitment to an executive;
- different performance conditions that might apply to awards and options; or
- the recruitment of a senior executive.

For the year under review no combined awards were made.

Existing schemes

Long-term incentive share plan
At the discretion and invitation of the committee, 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 (% of Salary)	150%
Nature of Right	A nil cost award over a fixed number of shares subject to the satisfaction of conditions
Performance Period	Three years
Performance Requirements	TSR subject to quartile ranking of company against comparator group of companies calculated over a performance period over three years
Additional Features	None

Prior to 2008 the committee operated a policy of granting awards with an initial face value of 105% of salary for Alan White and 75% of salary for Dean Moore. For 2008 the committee resolved that it would operate a policy going forward of granting awards of up to 100% of their salary to both executive directors.

Performance condition
The LTIP 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 earnings per share ("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.

The committee determines whether the TSR performance conditions for share awards and options are satisfied by ranking the company over a three-year performance period measured from the date of grant against a group of comparator companies currently comprising: Alexon, ASOS, Blacks Leisure, Debenhams, DSG International, Findel, Flying Brands, French Connection, Halfords, HMV, Home Retail Group, Instore, JJB Sports, Kesa Electrical, Laura Ashley, Marks & Spencer, Moss Bros Group, Mothercare and Next. The committee determines from time to time which companies are to be added or removed from this comparator group.

Vesting of awards
For existing awards made prior to 2009 (vesting 2010 and 2011 respectively) the company's TSR must be ranked at least at the median of the comparators in order for any of the award to vest (at which level 50% of the award vests), between 50% and 90% vests if the company's TSR is ranked between the median and upper quartile and 100% of the award will vest if the company is ranked in the upper quartile.

For 2009 awards onwards (vesting in 2012) the percentage award vesting at median performance, has been reduced from 50% to 25% of the maximum award. 100% will vest if the company's TSR is ranked in the upper quartile and, depending on rank, between 25% and 85% of the award vesting where the company's TSR is ranked between the median and upper quartiles.

The company's TSR performance against these targets is measured by reference to publicly available data produced by the company's brokers, Credit Suisse, and by Datastream. The results are then reviewed and ratified by the remuneration committee before any final award is made.

There are currently three awards outstanding under the long-term share incentive plans granted in 2007, 2008 and 2009. Based on performance as at 30 April 2010, the company's TSR is currently (at the date of this report) ranked as follows:-

2007-10 Upper quartile
2008-11 Upper quartile
2009-12 Second quartile

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

The rationale for executives participating in the option schemes is the same as for their participation in the long-term share incentive plan.

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) "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%

The company's share option schemes expire in 2010 and shareholder approval will be sought at the 2010 annual general meeting for their renewal, as described in the Notice of Annual General Meeting.

Value creation plan 2009
Shareholder approval was obtained at the company's General Meeting held on 26 February 2009 for the adoption of a new one-off long-term incentive share plan, the Value Creation Plan 2009 ("VCP") under which awards over a total of 3.5 million shares could be granted. Full details of the VCP and how it would work were explained to shareholders in the notice convening the meeting.

These one-off awards under the VCP were granted on 26 February 2009. The following directors have been granted awards under the VCP:

Name	Awards over
Alan White (Chief Executive)	1,200,000 shares
Dean Moore (Finance Director)	500,000 shares

Selected other senior executives have also been granted awards over an additional 1.4 million shares. In total awards over 3.1 million shares have been made. No further awards will be made except for senior new hires or to take account of promotions.

Term	Description
Nature of Right	A nil cost award over a fixed number of shares subject to the satisfaction of certain performance conditions
Performance Period	Measured to the end of February 2012. Options will vest as to one-third on each of the third, fourth and fifth anniversaries of the date of grant (and on the fifth anniversary the vested option can be exercised)
Performance Requirements	Absolute TSR and cumulative normalised EPS targets. Both of the performance conditions must be satisfied in order for awards to vest

Performance conditions
The first condition is related to the company's absolute TSR performance. The committee believes that under the VCP senior management should only be rewarded for delivering superior absolute shareholder returns and that therefore the TSR performance targets should be expressed in absolute terms. Accordingly, in order for awards to begin to vest, the company's average TSR performance over the three years to the end of February 2012 must have increased by at least 40% compared with the company's average share price from the announcement of the 2008 interim financial results to the date of grant, on 26 February 2009 (202.869p), and in order for awards to be capable of vesting in full, the TSR performance must have increased by at least 200%.

In addition to this TSR condition, the committee believes that the company's financial position should be robust and therefore there is an additional performance condition that can reduce the percentage of an award that will vest. Accordingly, in order for the award determined by performance against TSR performance condition to vest in full, the company's cumulative normalised EPS over the period of four financial years from 1 March 2008 to 28 February 2012 (i.e. including the year just ended) must be at least 100p. From a base of 20.75p on 1 March 2008, this is equivalent to a year-on-year growth rate of 7.6%. If the company's cumulative normalised EPS over this period is less than 100p but 90p or more, awards would vest between 50% and 100% on a straight-line basis. If cumulative normalised EPS is less than 90p, awards would lapse in full. 'Cumulative' means the aggregate of the normalised EPS figures over the four-year performance period.

Remuneration Report

All employee share schemes
The group operates an HM Revenue & Customs approved savings related share option scheme for the benefit of group employees, provided that 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.

The company's savings related share option scheme expires in 2010 and shareholder approval will be sought at the 2010 annual general meeting for their renewal, as described in the Notice of Annual General Meeting.

There is currently no intention to invite eligible employees to participate in the company's share incentive plan (SIP).

Shareholding guidelines
Under the VCP the company is making arrangements to introduce formal share ownership guidelines under which the Chief Executive and the Group Finance Director will respectively be required to hold company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary respectively. As at the date of this report the respective holdings are as follows (as a % of base salary)

- Alan White 263%
- Dean Moore 167%

Pension

Defined benefit scheme
Alan White is a member of the N Brown Group Pension Fund ("the fund"), which is a HM Revenue & Customs registered defined benefit scheme. The group has also made an unregistered promise of benefits in addition to those of the fund such that the overall group provides for him, at his normal retirement age of 60, a pension accrual rate of 1/40th of pensionable salary, which is defined as base salary only, (to give a maximum pension of 2/3 pensionable salary at normal retirement age, 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 under the un-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 (or sacrifice salary) at the rate of 6% or 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.

Defined contribution 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 termination payment	Potential payment upon company takeover	Potential payment in event of liquidation
Alan White	12 month's salary	Nil (unless terminated)	Nil (unless terminated)
Dean Moore	12 month's salary	Nil (unless terminated)	Nil (unless terminated)

Apart from service contracts, no executive director has any material interest in any contract with the company or its subsidiaries.

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 by general law.

The details of directors' contracts are summarised below:

Name	Status contract/letter	Date of term	Unexpired period	Notice
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
Anna Ford	non executive	11 February 2009	n/a	6 months

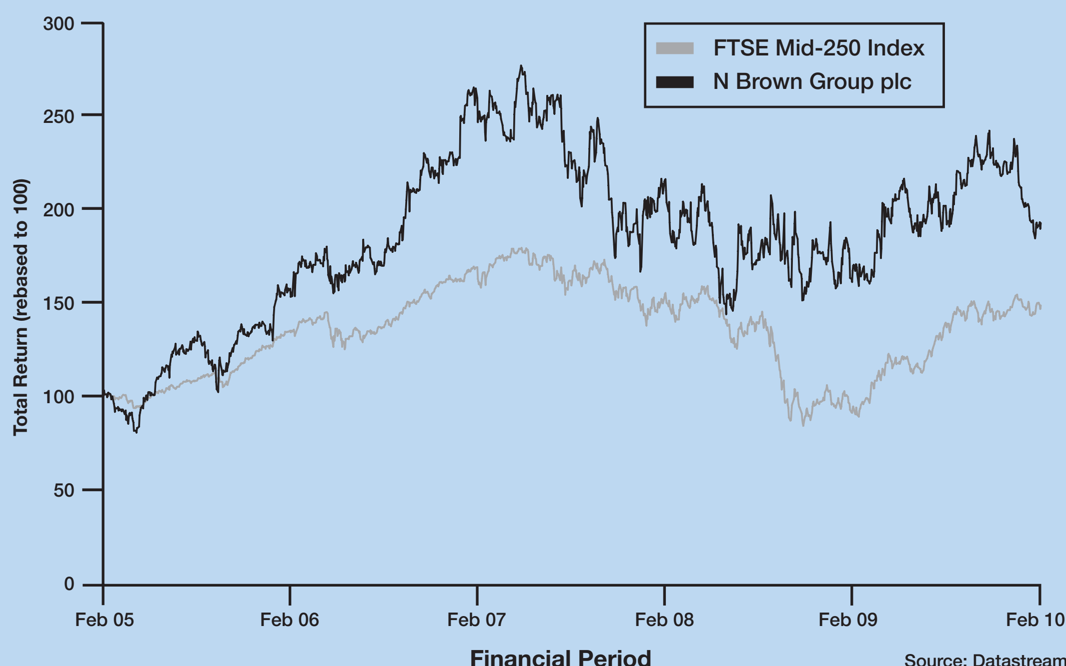
Additional directorships
Executive directors are encouraged by the company to hold non-executive directorships in listed businesses. Fees for such directorships are retained by the executive director. Alan White currently holds a non-executive directorship with Topps Tiles Plc for which he is paid a fee of £34,000 per annum. Alan White is permitted to retain this fee.

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 – £33,000 per annum. A further fee of £5,000 is payable for additional work performed in respect of the chairmanship of the remuneration, and audit committees and £3,000 for chairing the nominations committee. The Senior Non Executive director also receives an additional fee of £3,000 in recognition of the further duties which that post entails. 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 five year performance, measured by 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



Audited Information:

Directors' remuneration and interests

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

	Salaries /fees	Taxable benefits[1]	Performance-related bonuses[2, 3]	2010 total £'000	2009 total £'000
Executive (salaries)					
Alan White	512	1	484	**997**	964
Dean Moore	286	1	255	**542**	521
Non executive (fees)					
Lord Alliance of Manchester CBE	17	–	–	**17**	17
Nigel Alliance OBE	18	–	–	**18**	18
Ivan Fallon	41	–	–	**41**	41
Lord Stone of Blackheath	36	–	–	**36**	36
John McGuire	38	–	–	**38**	38
Anna Ford	32	–	–	**32**	–
	980	2	739	**1,721**	1,635

1. Taxable benefits comprise the provision of private medical cover.
2. Included in the performance-related bonus awards stated above are £121,125 for Alan White and £63,656 for Dean Moore. which (after deduction of income tax) are shortly due to be transferred to the deferred annual bonus scheme.
3. Alan White and Dean Moore both waived their rights to the cash based element of the performance-related bonus prior to its determination. The amounts of £997,000 and £542,000 shown as emoluments for Alan White and Dean Moore include amounts of £363,375 and £190,969 respectively which have been appointed to an employee benefit trust to be held for the benefits of their families.

Pensions

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

	Accrued pension at 28 Feb 09[1] £'000	Increase during year[2] £'000	Accrued pension at 27 Feb 10[1] £'000	Transfer value of increase[2,3,4] £'000	Transfer value of accrued pension at 28 Feb 09[3] £'000	Increase in transfer value during year[3,4,5] £'000	Transfer value of accrued pension at 27 Feb 10[3] £'000
Alan White	218	48	266	703	3,485	569	4,064

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 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 £15,750 (2009, £15,563)

Share options

Details of directors' share options are as follows:

	At 28 Feb 2009	Granted in year	Lapsed in year	Exercised in year	At 27 Feb 2010	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White									
SAYE	4,234	–	–	–	**4,234**	222.0p		01/08/2011	31/01/2012
	4,234	–	–	–	**4,234**				
Dean Moore									
SAYE	18,579	–	–	(18,579)	**–**	88.0p	231.0p	01/08/2009	31/01/2010
	–	8,143	–	–	**8,143**	186.0p		01/08/2014	31/01/2015
	18,579	8,143	–	(18,579)	**8,143**				

The total gain made by Dean Moore on the exercise of the share option during the year was £26,568.

The market price of the company's shares at 27 February 2010 was 215.60p (2009, 199.75p) and the range during the year was 186.50p to 275.70p.

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

	At 28 Feb 2009	Awarded in year	Lapsed in year	Exercised in year	At 27 Feb 2010	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	29,465	–	–	(29,465)	**–**	344.0p	218.0p	25/05/2009	24/11/2009
	49,353	–	–	–	**49,353** [1]	230.0p		29/05/2010	28/11/2010
	–	45,010	–	–	**45,010**	247.0p		29/05/2011	28/11/2011
	78,818	45,010	–	(29,465)	**94,363**				
Dean Moore	15,381	–	–	(15,381)	**–**	344.0p	250.0p	25/05/2009	24/11/2009
	26,058	–	–	–	**26,058** [1]	230.0p		29/05/2010	28/11/2010
	–	23,165	–	–	**23,165**	247.0p		29/05/2011	28/11/2011
	41,439	23,165	–	(15,381)	**49,223**				

1. These awards were exchanged for an equivalent number of forfeitable share awards on 25 February 2010.

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year was £64,233 and £38,452 respectively.

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

	At 28 Feb 2009	Awarded in year	Lapsed in year	Exercised in year	At 27 Feb 2010	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White									
	59,677	–	–	(59,677)	**–**[1]	135.0p	218.0p	08/02/2009	07/08/2009
	154,769	–	–	(154,769)	**–**[1]	207.5p	218.0p	13/06/2009	12/12/2009
	61,907	–	–	(61,907)	**–**[1]	268.0p	264.0p	19/10/2009	18/04/2010
	150,560	–	–	–	**150,560**[1,2]	325.0p		18/06/2010	17/12/2010
	2,180	–	–	–	**2,180**[1,2]	322.0p		16/07/2010	15/01/2011
	277,200	–	–	–	**277,200**[1]	180.0p		02/07/2011	01/01/2012
	–	212,691	–	–	**212,691**[1]	235.0p		28/05/2012	27/11/2012
	706,293	212,691	–	(276,353)	**642,631**				
Dean Moore									
	80,623	–	–	(80,623)	**–**[1]	207.5p	235.0p	13/06/2009	12/12/2009
	57,664	–	–	–	**57,664**[1,2]	325.0p		18/06/2010	17/12/2010
	145,530	–	–	–	**145,530**[1]	180.0p		02/07/2011	01/01/2012
	–	111,663	–	–	**111,663**[1]	235.0p		28/05/2012	27/11/2012
	283,817	111,663	–	(80,623)	**314,857**				

1. Exercise is subject to performance condition geared to Total Shareholder Return.
2. These awards were exchanged for an equivalent number of forfeitable share awards on 25 February 2010.

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year was £630,926 and £189,464 respectively.

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

	At 28 Feb 2009	Awarded in year	Lapsed in year	Exercised in year	At 27 Feb 2010	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White									
	1,200,000	–	–	–	**1,200,000**[1,2]	199.25p		28/02/2014	28/02/2019
	1,200,000	–	–	–	**1,200,000**				
Dean Moore									
	500,000	–	–	–	**500,000**[1,2]	199.25p		28/02/2014	28/02/2019
	500,000	–	–	–	**500,000**				

1. Exercise is subject to performance condition geared to Total Shareholder Return and growth in earnings per share.
2. These awards were exchanged for an equivalent number of contingent share awards on 25 February 2010.

Remuneration Report

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

	At 27 Feb 2010 Ordinary Shares of 11 1/19p each	At 28 Feb 2009 Ordinary Shares of 11 1/19p each
Lord Alliance of Manchester CBE	**75,316,182**	75,316,182
Lord Alliance of Manchester CBE (non beneficial)	**19,731,784**	19,731,784
Alan White	**610,405**	493,581
Dean Moore	**204,135**	211,919
Nigel Alliance OBE	**24,658,313**	24,658,313
Nigel Alliance OBE (non beneficial)	**6,830,943**	6,830,943
Ivan Fallon	**–**	–
Lord Stone of Blackheath	**9,047**	9,047
John McGuire	**9,047**	9,047
Anna Ford	**–**	–

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 27 Feb 2010	At 28 Feb 2009
N Brown Group plc No.2 Employee Share Ownership Trust	**2,004,102**	129,924

There have been no changes in the above interests of the directors between the year end and 30 April 2010.

Approval
This report was approved by the board of directors on 11 May 2010 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 52 weeks ended 27 February 2010 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Reconciliation of Operating Profit to Net Cash from Operating Activities and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 27 February 2010 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
- The part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- in our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter
We have reported separately on the parent company financial statements of N Brown Group plc for the 52 weeks ended 27 February 2010.

Sharon Fraser (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, UK

11 May 2010

Consolidated Income Statement

For the 52 weeks ended 27 February 2010	Note	2010 £m	2009 £m
Revenue	3	**690.0**	662.5
Operating profit	5	**97.6**	95.5
Investment income	7	**2.9**	4.1
Finance costs	8	**(7.4)**	(16.9)
Profit before taxation and fair value adjustments to financial instruments		**93.1**	82.7
Fair value adjustments to financial instruments	18	**(7.4)**	9.6
Profit before taxation		**85.7**	92.3
Taxation	9	**(23.2)**	(30.2)
Profit attributable to equity holders of the parent		**62.5**	62.1
Adjusted earnings per share	11		
Basic		**24.77p**	21.96p
Diluted		**24.73p**	21.90p
Earnings per share	11		
Basic		**22.83p**	22.88p
Diluted		**22.79p**	22.82p

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 27 February 2010	Note	2010 £m	2009 £m
Profit for the period		**62.5**	62.1
Other items of comprehensive income			
Exchange differences on translation of foreign operations		**(0.2)**	1.7
Actuarial losses on defined benefit pension schemes	28	**(1.2)**	(1.7)
Tax relating to components of other comprehensive income	9	**0.3**	0.5
		(1.1)	0.5
Total comprehensive income for the period attributable to equity holders of the parent		**61.4**	62.6

Consolidated Balance Sheet

As at 27 February 2010	Note	2010 £m	2009 £m Restated (See note 1)	2008 £m Restated (See note 1)
Non-current assets				
Intangible assets	12	**36.3**	32.8	30.9
Property, plant & equipment	13	**68.9**	75.0	70.5
Deferred tax assets	20	**3.6**	6.7	9.1
		108.8	114.5	110.5
Current assets				
Inventories	15	**62.4**	69.8	68.1
Trade and other receivables	16	**461.3**	451.5	402.0
Derivative financial instruments	18	**2.3**	9.7	0.1
Cash and cash equivalents	24	**59.9**	51.7	50.8
		585.9	582.7	521.0
Total assets		**694.7**	697.2	631.5
Current liabilities				
Bank overdrafts	17	**–**	–	(0.2)
Trade and other payables	21	**(105.4)**	(106.1)	(106.7)
Current tax liability		**(24.1)**	(13.8)	(13.2)
		(129.5)	(119.9)	(120.1)
Net current assets		**456.4**	462.8	400.9
Non-current liabilities				
Bank loans	17	**(230.0)**	(270.0)	(250.0)
Retirement benefit obligation	28	**(1.8)**	(4.0)	(5.8)
Deferred tax liabilities	20	**(14.4)**	(20.3)	(12.4)
		(246.2)	(294.3)	(268.2)
Total liabilities		**(375.7)**	(414.2)	(388.3)
Net assets		**319.0**	283.0	243.2
Equity				
Share capital	22	**30.8**	30.3	30.0
Share premium account		**11.0**	11.0	11.0
Own shares	23	**(0.4)**	(0.2)	(0.1)
Foreign currency translation reserve		**2.7**	2.9	1.2
Retained earnings		**274.9**	239.0	201.1
Total equity		**319.0**	283.0	243.2

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 11 May 2010.

They were signed on its behalf by:

Alan White

Dean Moore
Directors

Consolidated Cash Flow Statement

For the 52 weeks ended 27 February 2010	Note	2010 £m	2009 £m
Net cash from operating activities		**91.7**	38.7
Investing activities			
Purchases of property, plant and equipment		**(2.4)**	(12.9)
Purchases of intangible fixed assets		**(10.8)**	(8.3)
Proceeds on disposal of property, plant and equipment		**1.9**	–
Interest received		**0.1**	1.0
Net cash used in investing activities		**(11.2)**	(20.2)
Financing activities			
Interest paid		**(4.0)**	(13.1)
Dividends paid		**(29.5)**	(24.9)
(Repayment of)/increase in bank loans		**(40.0)**	20.0
Decrease in bank overdrafts		**–**	(0.2)
Proceeds on issue of shares held by ESOT		**1.2**	0.6
Net cash used in financing activities		**(72.3)**	(17.6)
Net increase in cash and cash equivalents		**8.2**	0.9
Cash and cash equivalents at beginning of period		**51.7**	50.8
Cash and cash equivalents at end of period	24	**59.9**	51.7

Reconciliation of Operating Profit to Net Cash from Operating Activities

For the 52 weeks ended 27 February 2010	2010 £m	2009 £m
Operating profit	**97.6**	95.5
Adjustments for:		
Depreciation of property, plant and equipment	**7.0**	5.8
Amortisation of intangible assets	**7.3**	6.4
Share option charge	**1.9**	1.8
Profit on disposal of property, plant and equipment	**(0.4)**	–
Operating cash flows before movements in working capital	**113.4**	109.5
Decrease/(increase) in inventories	**7.4**	(1.7)
Increase in trade and other receivables	**(10.2)**	(51.1)
(Decrease)/increase in trade and other payables	**(0.5)**	5.0
Pension obligation adjustment	**(4.0)**	(3.9)
Cash generated by operations	**106.1**	57.8
Taxation paid	**(14.4)**	(19.1)
Net cash from operating activities	**91.7**	38.7

Consolidated Statement of Changes in Equity

	Share capital £m Note 22	Share premium £m	Own shares £m Note 23	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2010						
Balance at 28 February 2009 as previously stated	30.3	11.0	(0.2)	2.9	244.3	**288.3**
Change in accounting policy (Note 1)	–	–	–	–	(5.3)	**(5.3)**
Restated balance as at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	**283.0**
Profit for the period	–	–	–	–	62.5	**62.5**
Other items of comprehensive income for the period	–	–	–	–	(1.1)	**(1.1)**
Total comprehensive income for the period	–	–	–	–	61.4	**61.4**
Equity dividends declared	–	–	–	–	(29.5)	**(29.5)**
Issue of ordinary share capital	0.5	–	–	–	–	**0.5**
Purchase of own shares by ESOT	–	–	(0.5)	–	–	**(0.5)**
Issue of own shares by ESOT	–	–	0.3	–	–	**0.3**
Adjustment to equity for share payments	–	–	–	–	0.9	**0.9**
Exchange difference on translation of overseas operations	–	–	–	(0.2)	0.2	**–**
Share option charge	–	–	–	–	1.9	**1.9**
Tax on items recognised directly in equity	–	–	–	–	1.0	**1.0**
Balance at 27 February 2010	**30.8**	**11.0**	**(0.4)**	**2.7**	**274.9**	**319.0**
Changes in equity for the 52 weeks ended 28 February 2009						
Balance at 1 March 2008 as previously stated	30.0	11.0	(0.1)	1.2	206.4	248.5
Change in accounting policy (Note 1)	–	–	–	–	(5.3)	(5.3)
Restated balance as at 1 March 2008	30.0	11.0	(0.1)	1.2	201.1	243.2
Profit for the period	–	–	–	–	62.1	62.1
Other items of comprehensive income for the period	–	–	–	–	0.5	0.5
Total comprehensive income for the period	–	–	–	–	62.6	62.6
Equity dividends declared	–	–	–	–	(24.9)	(24.9)
Issue of ordinary share capital	0.3	–	–	–	–	0.3
Purchase of own shares by ESOT	–	–	(0.3)	–	–	(0.3)
Issue of own shares by ESOT	–	–	0.2	–	–	0.2
Adjustment to equity for share payments	–	–	–	–	0.4	0.4
Exchange difference on translation of overseas operations	–	–	–	1.7	(1.7)	–
Share option charge	–	–	–	–	1.8	1.8
Tax on items recognised directly in equity	–	–	–	–	(0.3)	(0.3)
Balance at 28 February 2009	30.3	11.0	(0.2)	2.9	239.0	283.0

Notes to the Group Accounts

1 General information

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. 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 22 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.

The group's financial statements for the 52 weeks ended 27 February 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU.

The accounting policies have been applied consistently in the current and prior periods, other than that as set out below.

Adoption of new and revised standards
In the current period the following new and revised standards and interpretations have been adopted.

IAS 38 Intangible Assets. Following an amendment to IAS 38 all expenditure relating to the production of home shopping catalogues should be charged to the income statement as incurred, rather than recognising them as a prepayment asset until the date of despatch. As a result of this change in accounting policy the comparative amounts have been restated, as shown in the table below.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement separate from the Income Statement and Statement of Comprehensive Income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in equity for each period presented.

IFRS 8 - Operating Segments. The reporting requirements of IFRS 8 have been adopted in the current year. IFRS 8 concerns the disclosure and presentation of information that allows users of its financial statements to evaluate the nature and financial effects of the business activities of the group. It has not affected the measurement of the group's profit, assets or liabilities. The group has only one reportable business segment which is home shopping.

Amendment to IFRS 2 – Sharebased Payment Vesting Conditions and Cancellations. The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of "non vesting" conditions and clarify the accounting treatment for cancellations. The amendment has not impacted on the financial statements.

Standards in issue not yet effective
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

	2009 £m	2008 £m
Retained earnings as previously reported	244.3	206.4
Reduction in trade and other receivables	(7.3)	(4.2)
Increase in trade and other payables	–	(3.1)
Increase in deferred tax asset	2.0	2.0
Retained earnings as restated	239.0	201.1

The net impact of £5.3m on the balance sheet for each prior period was the same and therefore there is no impact on the reported profits for the prior periods.

IFRS 1 (amended)/IAS 27 (amended)
– Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (revised 2008)
– Business Combinations
IAS 27 (revised 2008)
– Consolidated and Separate Financial Statements
IAS 28 (revised 2008)
– Investments in Associates
IFRIC 17
– Distributions of Non-cash Assets to Owners
Improvements to IFRSs (April 2009)

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after the beginning of the first of the annual period beginning on or after 1 July 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 as follows.

Notes to the Group Accounts

Accounting period
Throughout the accounts, the directors report and financial review, reference to 2010 means at 27 February 2010 or the 52 weeks then ended; reference to 2009 means at 28 February 2009 or the 52 weeks then ended; reference to 2008 means at 1 March 2008 or the 53 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 period 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.

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 based on the standard costing method. Cost has been calculated on a first-in-first-out basis. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and 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 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, 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 comprehensive income.

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.

Notes to the Group Accounts

Critical judgements and 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. As a result this is continually assessed for relevance and adjusted appropriately. Further information is given in note 16.

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.

Going concern
In determining whether the group's accounts can be prepared on a going concern basis, the directors considered the group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to its business activities. These are set out within the Financial Review and discussed further in the Chairman's Statement and Chief Executive's Review.

The group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the audited financial statements. These have been appraised in light of the uncertainty in the current economic climate. As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate will have on the performance of the group's debtor book.

The group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £320m which are committed until 2012. It is the group's intention to open renewal negotiations with its bankers in the next twelve months to ensure appropriate levels of committed funds matching the group's medium term financing requirements are in place beyond 2012. After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and accounts.

3 Revenue	**2010 £m**	**2009 £m**
An analysis of the group's revenue is as follows:		
Sale of goods	**499.6**	481.3
Rendering of services	**190.4**	181.2
Revenue	**690.0**	662.5
Investment income	**2.9**	4.1
Total revenue	**692.9**	666.6

4 Business segments	2010 £m	2009 £m
Revenue		
Home Shopping	**690.0**	662.5
Operating profit		
Segment result & operating profit – Home Shopping	**97.6**	95.5
Fair value adjustments to financial instruments	**(7.4)**	9.6
Investment income	**2.9**	4.1
Finance costs	**(7.4)**	(16.9)
Profit before taxation	**85.7**	92.3
Taxation	**(23.2)**	(30.2)
Profit after tax	**62.5**	62.1

The group has one business segment and one geographical segment that operates in and derives revenue from UK and Ireland.

The analysis above is in respect of continuing operations.

For the purposes of monitoring segment performance, all assets and liabilities are allocated to the sole business segment, being Home Shopping, with the exception of current and deferred tax assets and liabilities. There are no impairments of goodwill, intangible assets or tangible assets in the current period (2009, £ nil).

Other information

	2010 £m	2009 £m Restated (see note 1)	2008 £m Restated (see note 1)
Capital additions	**13.2**	18.6	15.5
Depreciation and amortisation	**14.3**	12.2	12.4
Balance sheet			
Total segment assets	**691.1**	690.5	622.4
Total segment liabilities	**(337.2)**	(380.1)	(362.7)
Segment net assets	**353.9**	310.4	259.7
Unallocated assets	**3.6**	6.7	9.1
Unallocated liabilities	**(38.5)**	(34.1)	(25.6)
Consolidated net assets	**319.0**	283.0	243.2

5 Profit for the period

	2010 £m	2009 £m
Continuing operations		
Revenue	**690.0**	662.5
Cost of sales	**(328.0)**	(310.1)
Gross profit	**362.0**	352.4
Distribution costs	**(61.9)**	(60.5)
Sales and administration costs	**(202.5)**	(196.4)
Operating profit	**97.6**	95.5

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

	2010 £m	2009 £m
Net foreign exchange gains	**(2.5)**	(3.0)
Depreciation of property, plant and equipment	**7.0**	5.8
Amortisation of intangible assets	**7.3**	6.4
Cost of inventories recognised as expense	**208.5**	206.0
Staff costs	**72.3**	68.3
Auditors remuneration for audit services (see below)	**0.2**	0.2

Amounts payable to Deloitte LLP and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £0.9m (2009, £0.3m).

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

	2010 £m	2009 £m
Audit fees:		
The audit of the company's subsidiaries pursuant to legislation	**0.2**	0.2
Other services:		
Tax services	**0.8**	0.3
Corporate Finance services	**0.1**	–
	0.9	0.3

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 (2009, £10,000).

In addition to the amounts shown above, the auditors received fees of £4,000 (2009, £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

	2010	2009
The average monthly number of employees (including executive directors) was:		
Distribution	**1,092**	1,160
Sales and administration	**2,097**	1,970
	3,189	3,130

Their aggregate remuneration comprised	2010 £m	2009 £m
Wages and salaries	**61.4**	57.6
Social security costs	**6.5**	6.4
Other pension costs (see note 28)	**2.5**	2.5
Share options costs (see note 27)	**1.9**	1.8
	72.3	68.3

Details of individual directors' remuneration is disclosed in the remuneration report on page 38.

Notes to the Group Accounts

7 Investment income	2010 £m	2009 £m
Interest on bank deposits	**0.1**	1.0
Expected return on pension assets	**2.8**	3.1
	2.9	4.1

8 Finance costs	2010 £m	2009 £m
Interest on bank overdrafts and loans	**4.0**	13.4
Interest on pension scheme liabilities	**3.4**	3.5
	7.4	16.9

9 Tax	2010 £m	2009 £m
Current tax – charge for the period	**23.9**	21.6
Current tax – adjustment in respect of previous periods	**1.9**	(0.9)
Deferred tax (see note 20)	**1.1**	9.2
Deferred tax – adjustment in respect of previous periods (see note 20)	**(3.7)**	0.3
	23.2	30.2

UK Corporation tax is calculated at 28.0% (2009, 28.16%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2010 £m	2009 £m
Profit before tax:	**85.7**	92.3
Tax at the UK corporation tax rate of 28.0% (2009, 28.16%)	**24.0**	26.0
Effect of abolition of Industrial Building Allowances	**–**	4.4
Tax effect of expenses that are not deductible in determining taxable profit	**1.6**	1.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.6)**	(0.6)
Tax effect of adjustments in respect of previous periods	**(1.8)**	(0.6)
Tax expense for the period	**23.2**	30.2

In addition to the amount charged to the income statement, tax movements recognised directly through equity were as follows:

	2010 £m	2009 £m
Deferred tax – retirement benefit obligations	**(0.3)**	(0.5)
Tax credit in the statement of comprehensive income	**(0.3)**	(0.5)

	2010 £m	2009 £m
Current tax – share based payments	**(1.1)**	(1.0)
Deferred tax – share based payments	**0.1**	1.3
Tax (credit)/charge in the statement of changes in equity	**(1.0)**	0.3

10 Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 28 February 2009 of 6.41p (2008, 6.41p) per share	**17.5**	17.4
Interim dividend for the 52 weeks ended 27 February 2010 of 4.38p (2009, 2.78p) per share	**12.0**	7.5
	29.5	24.9
Proposed final dividend for the 52 weeks ended 27 February 2010 of 6.41p (2009, 6.41p) per share	**17.8**	17.5

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.

11 Earnings per share

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

Earnings	2010 £m	2009 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**62.5**	62.1

Number of shares ('000s)	2010 Number	2009 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**273,772**	271,413
Effect of dilutive potential ordinary shares:		
Share options	**435**	728
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**274,207**	272,141

	2010 £m	2009 £m
Adjusted earnings		
Net profit attributable to equity holders of the parent	**62.5**	62.1
Impact of exceptional tax charge in respect of the phasing out of industrial building allowances	**–**	4.4
Fair value adjustment to financial instruments (net of tax)	**5.3**	(6.9)
Adjusted earnings for the purposes of adjusted earnings per share	**67.8**	59.6

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

12 Intangible assets	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
At 1 March 2008	7.9	76.0	1.9	85.8
Additions	–	8.3	–	8.3
At 28 February 2009	7.9	84.3	1.9	94.1
Additions	1.0	9.8	–	10.8
At 27 February 2010	**8.9**	**94.1**	**1.9**	**104.9**
Amortisation				
At 1 March 2008	–	53.7	1.2	54.9
Charge for the period	–	6.1	0.3	6.4
At 28 February 2009	–	59.8	1.5	61.3
Charge for the period	–	7.0	0.3	7.3
At 27 February 2010	**–**	**66.8**	**1.8**	**68.6**
Carrying amount				
At 27 February 2010	**8.9**	**27.3**	**0.1**	**36.3**
At 28 February 2009	7.9	24.5	0.4	32.8
At 1 March 2008	7.9	22.3	0.7	30.9

Assets in the course of construction included in intangible assets at the year end total £9.8m (2009 £4.6m).

All additions relate to internal development, apart from £1.0m within the current period which relates to the acquisition of the High and Mighty brand name.

Amortisation of intangible assets is split equally between cost of sales and administration costs and disclosed in note 5.

The amortisation periods for intangible assets are:

	Years
Software	5
Customer Database	5

The brand names arising from the acquisition of Gray & Osbourn Limited and High and Mighty are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows and are subject to annual impairment tests.

The carrying value of the brand names have 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 three year financial budgets approved by management and thereafter extrapolates cash flows in perpetuity (with 2.7% 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 6.9% (2009, 8.4%).

Notes to the Group Accounts

13 Property, plant and equipment	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
At 1 March 2008	47.7	79.5	127.2
Additions	0.3	10.0	10.3
At 28 February 2009	48.0	89.5	137.5
Additions	–	2.4	2.4
Disposals	(1.8)	(0.4)	(2.2)
At 27 February 2010	**46.2**	**91.5**	**137.7**
Accumulated depreciation and impairment			
At 1 March 2008	6.0	50.7	56.7
Charge for the period	0.9	4.9	5.8
At 28 February 2009	6.9	55.6	62.5
Charge for the period	0.9	6.1	7.0
Released on disposals	(0.3)	(0.4)	(0.7)
At 27 February 2010	**7.5**	**61.3**	**68.8**
Carrying amount			
At 27 February 2010	**38.7**	**30.2**	**68.9**
At 28 February 2009	41.1	33.9	75.0
At 1 March 2008	41.7	28.8	70.5

Assets in the course of construction included in property, plant and equipment at the year end date total £2.0m (2009, £2.9m), no depreciation has been charged on these assets.

At 27 February 2010, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2009, £nil).

14 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.

15 Inventories	2010 £m	2009 £m
Finished goods	**58.5**	67.1
Sundry stocks	**3.9**	2.7
	62.4	69.8

16 Trade and other receivables	2010 £m	2009 £m Restated (see note 1)	2008 £m Restated (see note 1)
Amount receivable for the sale of goods and services	**494.0**	477.7	418.4
Allowance for doubtful debts	**(47.0)**	(41.1)	(29.1)
	447.0	436.6	389.3
Other debtors and prepayments	**14.3**	14.9	12.7
	461.3	451.5	402.0

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 236 days (2009, 241 days). Interest is charged at 39.9% (2009, 38.8%) 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 £59.2m at 27 February 2010 (2009, £51.0m).

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	2010 £m	2009 £m
Current	**362.2**	350.2
0 – 28 days	**62.7**	62.0
29 – 56 days	**26.7**	26.7
57 – 84 days	**16.1**	16.1
85 – 112 days	**13.3**	12.1
Over 112 days	**13.0**	10.6
Total	**494.0**	477.7

Movement in the allowance for doubtful debts	2010 £m	2009 £m
Balance at the beginning of the period	**41.1**	29.1
Amounts charged net to the income statement	**62.2**	52.3
Net amounts written off	**(56.3)**	(40.3)
Balance at the end of the period	**47.0**	41.1

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.6 million (2009, 1.6 million) 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.

17 Bank overdraft and loans	2010 £m	2009 £m
Bank loans	**230.0**	270.0
The borrowings are repayable as follows:		
In the second year	**40.0**	–
In the third to fifth year	**190.0**	270.0
Amounts due for settlement after 12 months	**230.0**	270.0
All borrowings are held in sterling		

The weighted average interest rates paid were as follows:	2010 %	2009 %
Bank overdrafts	**1.5**	5.0
Bank loans	**0.7**	4.4

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 £190m (2009, £190m) 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 £40m (2009, £80m) drawn down under a medium term bank revolving credit facility of £120 million 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 27 February 2010 the estimated future interest cost per annum until maturity would be £1.6m (2009 £11.9m).

The maturity analysis of the group's financial liability on an undiscounted basis, assuming that the facilities are retained until the end of the committed period are as follows:

	2010 £m	2009 £m
On demand or within one year	**1.6**	11.9
In the second year	**1.6**	11.9
In the third to fifth year	**230.1**	280.9
	233.3	304.7

At 27 February 2010, the group had available £90m (2009, £50m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Financial Review on page 18 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 18).

18 Derivative financial instruments

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

	2010 £m	2009 £m
Notional amount – Sterling contract value	**37.3**	36.0
Fair value of asset recognised	**2.3**	9.7

Changes in the fair value of assets recognised, being non-hedging currency derivatives, amounted to a charge of £7.4m (2009, gain of £9.6m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

There were no transfers between Level 1 and Level 2 during the year.

19 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 17, cash and cash equivalents disclosed in note 24 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 to 23 and the statement of changes in equity.

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

	2010 £m	2009 £m Restated (see note 1)	2008 £m Restated (see note 1)
Debt	**230.0**	270.0	250.2
Cash and cash equivalents	**(59.9)**	(51.7)	(50.8)
Net Debt	**170.1**	218.3	199.4
Equity	**319.0**	283.0	243.2
Net debt to equity ratio	**53%**	77%	82%

Debt is defined as long- and short-term borrowings, as detailed in note 17.
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.

19 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:

	2010 £m	2009 £m
Less than 6 months	**19.6**	12.2
6 to 12 months	**17.7**	18.4
12 to 18 months	**–**	5.4
	37.3	36.0

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.49 and 1.67.

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

	Liabilities		Assets	
	2010 £m	2009 £m	2010 £m	2009 £m
Euro	**1.5**	2.2	**13.9**	12.9
US dollar	**1.4**	3.3	**–**	–

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		US Dollar Currency Impact	
	2010 £m	2009 £m	2010 £m	2009 £m
Income statement				
Sterling strengthens by 10%	**1.3**	1.2	**(0.2)**	(0.4)
Sterling weakens by 10%	**(1.2)**	(1.0)	**0.1**	0.3

19 Financial instruments continued

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 52 weeks ended 27 February 2010 would decrease by £0.8m (2009, £1.1m).

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.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. 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, supplied by independent rating agencies. 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, and did not exceed five percent of gross monetary assets at any one time during the period.

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 17 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.

20 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 1 March 2008 as restated	2.2	–	(5.6)	1.7	(1.6)	(3.3)
Credit/(charge) to income	0.5	(2.7)	(4.7)	(1.0)	(1.6)	(9.5)
(Charge)/credit to equity	(1.3)	–	–	0.5	–	(0.8)
At 28 February 2009	1.4	(2.7)	(10.3)	1.2	(3.2)	(13.6)
Credit/(charge) to income	0.5	2.0	0.3	(0.9)	0.7	2.6
(Charge)/credit to equity	(0.1)	–	–	0.3	–	0.2
At 27 February 2010	**1.8**	**(0.7)**	**(10.0)**	**0.6**	**(2.5)**	**(10.8)**

An exceptional tax charge of £4.4m was recognised in the income statement for the prior period in respect of the phasing out of industrial building allowances.

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:

	2010 £m	2009 £m Restated (see note 1)	2008 £m Restated (see note 1)
Deferred tax assets	**3.6**	6.7	9.1
Deferred tax liabilities	**(14.4)**	(20.3)	(12.4)
	(10.8)	(13.6)	(3.3)

At the balance sheet date, the group has unused tax losses of £0.1m (2009, £0.1m) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams within the relevant subsidiary.

21 Trade and other payables

	2010 £m	2009 £m Restated (see note 1)	2008 £m Restated (see note 1)
Trade payables	**48.7**	54.4	52.8
Other taxes and social security	**23.8**	26.0	23.1
Other creditors	**0.7**	0.7	3.4
Accruals and deferred income	**32.2**	25.0	27.4
	105.4	106.1	106.7

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 38 days (2009, 41 days).

For most suppliers no interest is charged on the trade payables. The group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

22 Share capital	2010 Number	2009 Number	2010 £m	2009 £m
Authorised				
Ordinary shares of 11 1/19p each	**352,857,142**	352,857,142	**39.0**	39.0
Allotted, called-up and fully paid				
Ordinary shares of 11 1/19p each				
At 28 February 2009	**274,104,714**	271,304,714	**30.3**	30.0
Ordinary shares issued	**4,300,000**	2,800,000	**0.5**	0.3
At 27 February 2010	**278,404,714**	274,104,714	**30.8**	30.3

During the year 4,300,000 (2009, 2,800,000) ordinary shares were issued to the N Brown Group Employee Share Ownership Trusts for £475,263 (2009, £310,254). The company has one class of ordinary share which carry no right to fixed income.

23 Own shares	2010 £m	2009 £m
Balance at 28 February 2009	**0.2**	0.1
Additions	**0.5**	0.3
Issue of own shares on exercise of share options	**(0.3)**	(0.2)
Balance at 27 February 2010	**0.4**	0.2

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 27).

During the year the employee trusts subscribed for 4,300,000 (2009, 2,800,000) shares in N Brown Group plc for a consideration of £475,263 (2009, £310,254).

At 27 February 2010 the employee trusts held 3,737,682 shares in the company (2009, 1,546,969).

24 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:

	2010 £m	2009 £m
Sterling	**55.5**	49.5
Euro	**4.4**	2.2
	59.9	51.7

25 Contingent liabilities

Parent company borrowings which at 27 February 2010 amounted to £2.0m (2009, £6.7m) have been guaranteed by certain subsidiary undertakings.

26 Operating lease arrangements

	2010 £m	2009 £m
Minimum lease payments under operating leases recognised as an expense for the period	**4.6**	4.5

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:

	2010 £m	2009 £m
Within one year	**0.3**	0.5
In the second to fifth years inclusive	**8.5**	6.3
After five years	**13.2**	15.4
	22.0	22.2

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

27 Equity settled share based payments

The remuneration report on pages 31 to 42 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 2010	Number of shares 2009
Option scheme				
2000 Savings related scheme	95 – 290	January 2010 – February 2015	**1,680,424**	1,891,257
1990 Executive scheme	284	May 2003 – May 2010	**51,800**	62,800
2000 Executive scheme	106 – 341	October 2003 – May 2019	**1,583,007**	1,518,757
Unapproved executive scheme	211 – 341	May 2003 – May 2019	**629,115**	390,631
Value Creation Plan	–	February 2014 – February 2019	**3,100,000**	3,100,000
Long-term incentive scheme awards				
February 2006	–	February 2009 – August 2009	**–**	59,677
June 2006	–	June 2009 – December 2009	**–**	874,535
October 2006	–	October 2009 – October 2010	**–**	61,907
June 2007	–	June 2010 – December 2010	**648,043**	683,702
August 2007	–	August 2010 – February 2011	**38,480**	38,480
July 2008	–	July 2011 – January 2012	**1,595,982**	1,661,767
May 2009	–	May 2012 – November 2012	**1,301,930**	–
Deferred annual bonus scheme awards				
May 2007	–	May 2009 – November 2009	**–**	158,370
May 2008	–	May 2010 – November 2010	**266.721**	283,072
May 2009	–	May 2011 – November 2011	**260,764**	–

27 Equity settled share based payments continued

Movements in share options are summarised as follows:

	2010 Number of share options	2010 Weighted average exercise price £	2009 Number of share options	2009 Weighted average exercise price £
Outstanding at the beginning of the period	**3,863,445**	**1.91**	3,627,750	1.84
Granted during the period	**1,362,452**	**2.14**	1,717,462	2.30
Forfeited during the period	**(356,504)**	**2.01**	(919,943)	2.82
Exercised during the period	**(925,047)**	**1.27**	(561,824)	1.14
Outstanding at the end of the period	**3,944,346**	**2.13**	3,863,445	1.91
Exercisable at the end of the period	**696,835**	**1.87**	507,681	1.65

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 232 pence (2009, 214 pence). The options outstanding at 27 February 2010 had a weighted average remaining contractual life of 5.6 years (2009, 5.2 years). The aggregate estimated fair values of options granted in the period is £4,016,000 (2009, £5,413,000).

Movements in management share awards are summarised as follows:

	2010 Number of share awards	2010 Weighted average exercise price £	2009 Number of share awards	2009 Weighted average exercise price £
Outstanding at the beginning of the period	**6,921,510**	**–**	3,624,425	–
Granted during the period	**1,567,349**	**–**	5,044,839	–
Forfeited during the period	**(109,010)**	**–**	(273,999)	–
Exercised during the period	**(1,167,929)**	**–**	(1,473,755)	–
Outstanding at the end of the period	**7,211,920**	**–**	6,921,510	–
Exercisable at the end of the period	**–**	**–**	59,677	–

The awards outstanding at 27 February 2010 had a weighted average remaining contractual life of 4.9 years (2009, 5.5 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:

	2010	2009
Weighted average share price at date of grant (pence)	**236**	208
Weighted average exercise price (pence)	**99**	58
Expected volatility (%)	**35.1**	34.3
Expected life (years)	**2.5 – 5.5**	2.5 – 5.5
Risk-free rate (%)	**2.6**	4.3
Dividend yield (%)	**4.2**	3.9

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 £1.9m and £1.8m related to equity-settled share based payment transactions in 2010 and 2009 respectively.

28 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 £0.8m (2009, £0.7m) represents contributions payable to the schemes by the group at rates specified in the rules of the plans. As at 27 February 2010, contributions of £0.1m (2009, £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 2009 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:

	2010	**2009**
Discount rate	**5.9%**	6.7%
Expected return on scheme assets	**5.9%**	5.4%
Expected rate of salary increase	**4.8%**	4.9%
Future pension increases	**2.4%**	2.3%
Inflation	**3.8%**	3.4%
Life expectancy at age 65 (years)		
Pensioner aged 65	**21.3**	21.2
Non-pensioner aged 45	**23.2**	22.3

Amounts recognised in income in respect of these defined benefit schemes are as follows:	**2010 £m**	**2008 £m**
Current service cost	**1.7**	1.8
Interest cost	**3.4**	3.5
Expected return on scheme assets	**(2.8)**	(3.1)
	2.3	2.2

Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial gains since transition to IFRS were £8.4m (2009, £9.6m).

The actual return on scheme assets was a loss of £13.4m (2009, loss of £8.6m).

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

28 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:

	2010 £m	2009 £m
Present value of defined benefit obligations	**66.0**	50.8
Fair value of scheme assets	**(64.2)**	(46.8)
Deficit in the scheme and liability recognised in the balance sheet	**1.8**	4.0

Movements in the present value of defined benefit obligations were as follows:	2010 £m	2009 £m
At 28 February 2009	**50.8**	56.8
Service cost	**1.7**	1.8
Interest cost	**3.4**	3.5
Actuarial losses/(gains)	**11.8**	(10.0)
Benefits paid	**(1.7)**	(1.3)
At 27 February 2010	**66.0**	50.8

Movements in the fair value of the scheme assets were as follows:	2010 £m	2009 £m
At 28 February 2009	**46.8**	51.0
Expected return on scheme assets	**2.8**	3.1
Actuarial gains/(losses)	**10.6**	(11.7)
Contributions from sponsoring companies	**5.7**	5.7
Benefits paid	**(1.7)**	(1.3)
At 27 February 2010	**64.2**	46.8

28 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	
	2010 %	2009 %	2010 £m	2009 £m
Equities	**7.1**	6.8	**32.7**	19.0
Bonds	**4.7**	4.5	**31.5**	27.8
	5.9	5.4	**64.2**	46.8

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

The history of experience adjustments is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	**66.0**	50.8	56.8	63.5	65.6
Fair value of scheme assets	**(64.2)**	(46.8)	(51.0)	(35.8)	(31.2)
Deficit in the scheme	**1.8**	4.0	5.8	27.7	34.4
Experience adjustments on scheme liabilities					
Amount (£)	**2.2**	–	–	1.2	–
Percentage of scheme liabilities (%)	**3%**	0%	0%	2%	0%
Difference between expected and actual return on scheme assets:					
Amount (£)	**10.6**	(11.7)	(3.5)	1.0	3.0
Percentage of scheme assets (%)	**16%**	(25%)	(7%)	3%	10%

The estimated amounts of contributions expected to be paid to the scheme during the 52 week period ending 26 February 2011 is £5.6m.

29 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. Details of remuneration paid to the group's key management personnel is given on page 38 of the remuneration report.

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 52 weeks ended 27 February 2010 which comprise the Parent Company Balance Sheet, and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the parent company's affairs as at 27 February 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sharon Fraser (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester, UK

11 May 2010

Company Balance Sheet

As at 27 February 2010	Note	2010 £m	2009 £m
Fixed assets			
Investments	3	**267.9**	267.9
		267.9	267.9
Current assets			
Debtors	4	**103.3**	104.1
		103.3	104.1
Creditors			
Amounts falling due within one year	5	**(233.0)**	(195.7)
Net current liabilities		**(129.7)**	(91.6)
Total assets less current liabilities		**138.2**	176.3
Non current liabilities			
Bank loans	6	**(40.0)**	(80.0)
Net assets		**98.2**	96.3
Capital and reserves			
Called-up share capital	7	**30.8**	30.3
Share premium account	8	**11.0**	11.0
Profit and loss account	8	**56.4**	55.0
Equity shareholders' funds		**98.2**	96.3

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 11 May 2010.

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 2006. 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 period and the preceding period.

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 period

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the period. N Brown Group plc reported a profit for the financial period ended 27 February 2010 of £31.1m (2009, profit £22.6m).

The non executive directors' remuneration was £182,000 (2009, £150,000) and six non executive directors were remunerated. The executive directors were remunerated by a subsidiary company.

The auditors' remuneration for audit services to the company of £10,000 (2009, £10,000) was borne by subsidiary undertakings.

3 Fixed asset investment

	£m
Cost	
At 28 February 2009 and at 27 February 2010	**267.9**

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	2010 £m	2009 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	**103.1**	103.8
Prepayments and accrued income	**0.2**	0.3
	103.3	104.1

5 Creditors	2010 £m	2009 £m
Amounts falling due within one year:		
Bank loans and overdrafts	**2.0**	6.7
Trade creditors	**0.7**	0.6
Amounts owed to group undertakings	**229.1**	185.4
Corporation tax	**–**	2.3
Accruals and deferred income	**1.2**	0.7
	233.0	195.7

6 Bank loans	2010 £m	2009 £m
Bank overdrafts	**2.0**	6.7
Bank loans	**40.0**	80.0
	42.0	86.7
The borrowings are repayable as follows:		
On demand within one year	**2.0**	6.7
In the second year	**40.0**	–
In the third to fifth year	**–**	80.0
	42.0	86.7
Less: amounts due for settlement within 12 months (shown under current liabilities)	**(2.0)**	(6.7)
Amounts due for settlement after 12 months	**40.0**	80.0

The company has unsecured bank loans of £40m (2009, £80m) drawn down under a medium term bank revolving credit facility committed until January 2012.

At 27 February 2010, the company had available £80m (2009, £40m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rate paid were as follows:

	2010 %	2009 %
Bank overdrafts	**1.5**	5.0
Bank loans	**1.2**	4.0

Notes to the Company Accounts

7 Share capital	2010 Number	2009 Number	2010 £m	2009 £m
Authorised				
Ordinary shares of 11 1/19p each	**352,857,142**	352,857,142	**39.0**	39.0
Allotted, called-up and fully paid				
Ordinary shares of 11 1/19p each				
At 28 February 2009	**274,104,714**	271,304,714	**30.3**	30.0
Ordinary shares issued	**4,300,000**	2,800,000	**0.5**	0.3
At 27 February 2010	**278,404,714**	274,104,714	**30.8**	30.3

During the year 4,300,000 (2009, 2,800,000) ordinary shares were issued to the N Brown Group Employee Share Ownership Trusts for £475,263 (2009, £310,254). 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.

8 Reconciliation of movements in shareholders' funds and reserves	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
Balance at 1 March 2008	30.0	11.0	57.4	98.4
Dividends paid	–	–	(25.0)	(25.0)
Profit for the financial period	–	–	22.6	22.6
Increase in share capital	0.3	–	–	0.3
Balance at 28 February 2009	30.3	11.0	55.0	96.3
Dividends paid	–	–	(29.7)	(29.7)
Profit for the financial period	–	–	31.1	31.1
Increase in share capital	0.5	–	–	0.5
At 27 February 2010	**30.8**	**11.0**	**56.4**	**98.2**

9 Guarantees

Parent company borrowings which at 27 February 2010 amounted to £2.0m (2009, £6.7m) have been guaranteed by certain subsidiary undertakings.

10 Related party transactions

The company has taken advantage of the exemption under FRS8 not to disclose transactions and balances with other group companies.

Shareholder Information

Financial Timetable

2009	14 October	Announcement of interim results
	11 December	Closing of register for interim dividend
2010	8 January	Payment of interim dividend
	27 February	Financial year-end
	27 April	Preliminary announcement of annual results
	28 May	Publication of 2010 annual report and accounts
	2 July	Closing of register for final dividend
	6 July	Annual general meeting
	30 July	Payment of final dividend

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The Royal Bank of Scotland plc

Solicitors
Addleshaw Goddard LLP
Eversheds LLP
Halliwells LLP
Pinsent Masons LLP

Stockbrokers
Credit Suisse Securities (Europe) Ltd
RBS 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.

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