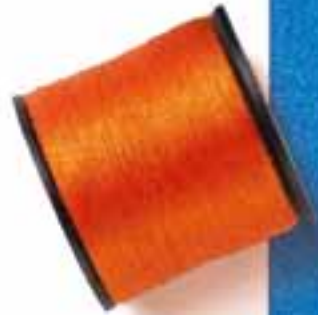


N Brown Group plc

Annual Report and Accounts 2011



FASHION GOING FORWARD.

New channels,
New directions,
New audiences.





We've been busy. Working hard, yes, but also working smarter to grow our business across countries, across audiences and across channels. And it's paying off.

Our biggest successes of 2010 include the acquisition of Figleaves.com, enhancing our position as the UK's largest online lingerie retailer, the launch of Simply Be in the US, as well as developing High & Mighty. These investments have been made whilst continuing to develop our portfolio of established brands, including JD Williams and Ambrose Wilson, and newer brands like Jacamo and Marisota.

Understanding that people are shopping differently to how they once were is key to our future success. So to support all this growth, we're investing significantly into online activities. We're continually improving our websites, and we're using our new multi-channel, 365-trading strategy to make our brands and ranges more visible, desirable and accessible than ever before.

It's been a year of positive change, and looking ahead, the opportunities for yet more growth look plentiful. If we can carry on spotting and seizing these opportunities, we can feel confident that new audiences and new horizons await.



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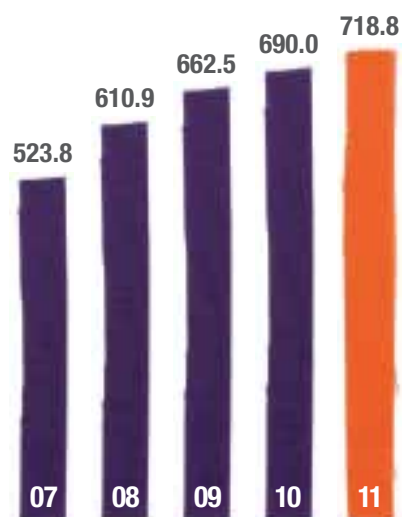
Financial Highlights	2011	2010
Revenue	£718.8m	£690.0m
Operating profit	£102.6m	£97.6m
Adjusted profit before taxation*	£98.2m	£93.1m
Profit before taxation	£94.5m	£85.7m
Adjusted earnings per share**	27.02p	24.77p
Earnings per share	26.04p	22.83p
Dividends per share	12.41p	10.79p
Net assets	£360.4m	£319.0m
Net asset value per share	128.5p	114.6p
Gearing	50%	53%

*Excluding fair value adjustments to financial instruments.

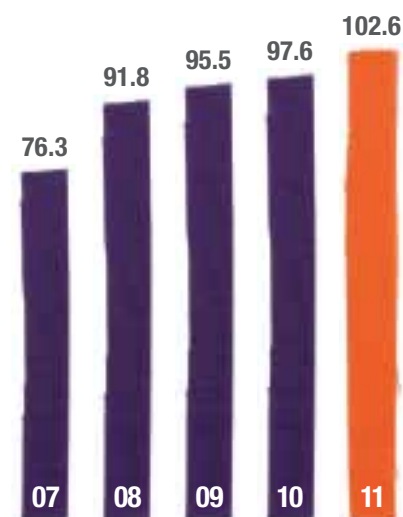
**See note 11 on page 52.

Five Year History

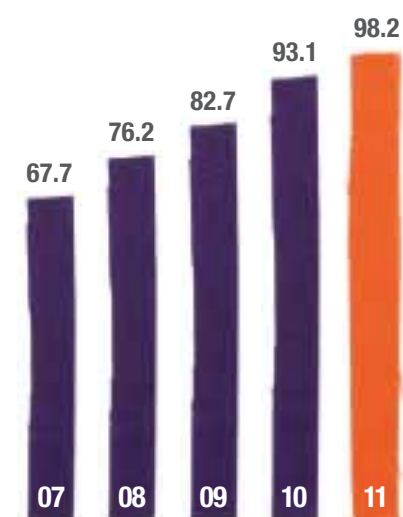
Revenue –
Continuing operations (£m)



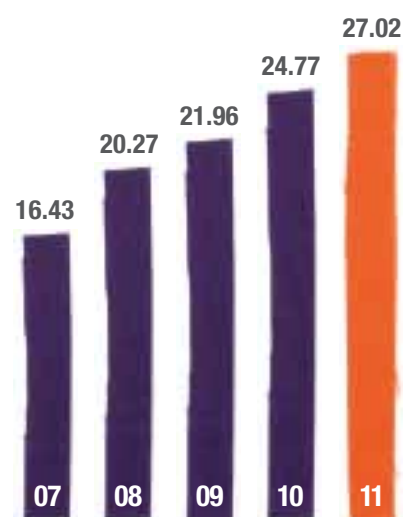
Operating profit –
Continuing operations (£m)



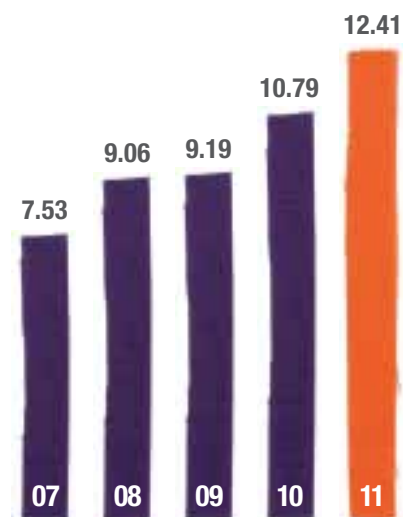
Pre-tax profit* –
Continuing operations (£m)



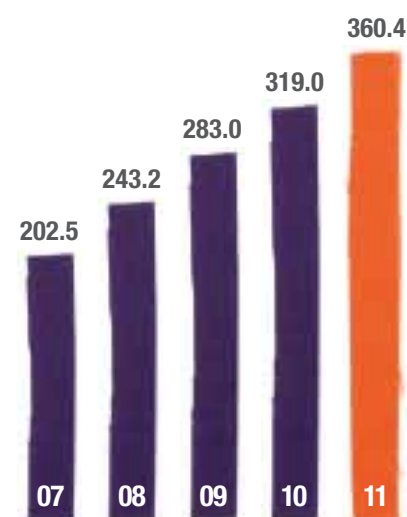
Adjusted earnings per share**
– Continuing operations (p)



Dividends per share (p)



Net assets (£m)



*Excluding fair value adjustments to financial instruments.

**See note 11 on page 52.

The fabric of our success

International growth, acquisitions, multi-channel strategies, innovative products. There's a lot to feel excited about. To paint a picture of the breadth and depth of our achievements in 2010, we've picked out these highlights for you.

Going international with Simply Be

We recently launched our Simply Be brand in the USA. So far sales are encouraging, buoyed by groundbreaking new products such as Wow jeans and the Simply Voluptuous range. After mailing out one million catalogues in the first season, we're following up with three million in the second season complementing our focus on the UK and German markets.

www.simplybe.co.uk

www.simplybe.com

www.simplybe.de



"Simply Be understand the cut - they're always well fitted"





Thinking bigger with Figleaves
 Our acquisition of Figleaves.com in June 2010 strengthened our position as the UK's largest online lingerie retailer. Our plans to develop the brand's lifestyle appeal will create exciting new cross-selling opportunities.
www.fikleaves.com



"I can get the clothes I like so easily"

The power of now

With online sales penetration at 45% and now exceeding the value of orders taken in our contact centres, it's clear that our customers are opting for the ease and convenience of online shopping. So we're continuing to invest in our websites to make the experience as simple, intuitive and rewarding as possible. Features include catwalk shows and 'how-to' measuring videos.



Transcending boundaries

365 trading is our new all-year-round strategy. This extra flexible business model means our marketing is more targeted, reactive and efficient, keeping our profile raised and our brands highly visible. We're concentrating our efforts across more channels, such as television, press, online and social networking, the catwalk and retail display advertising, and using pay-per-click and traffic generation too.



WOW



"Fantastic - I'm with you for Life"

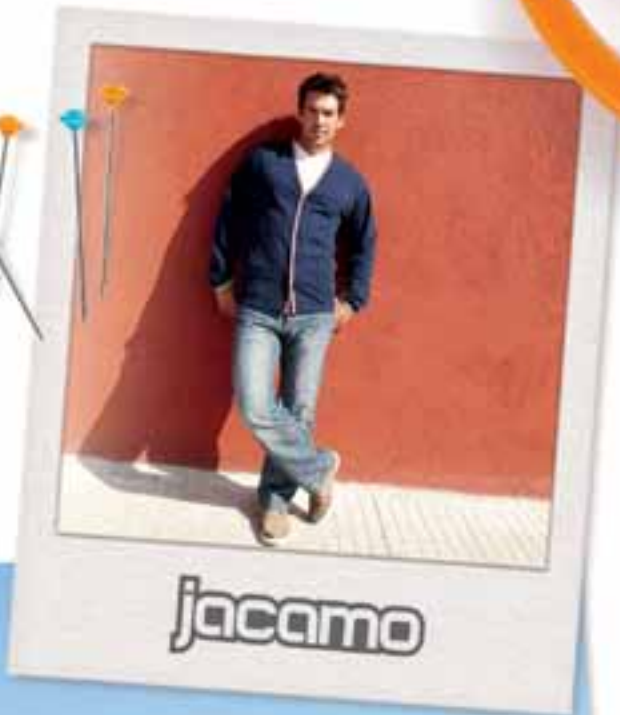


Jdwilliams



SA4145

Col: Black - Gold / Cream
Embell: 887



Reaching higher

Jacamo, boasting exclusive ranges from 40 brands, including Penguin and Voy, has played a large part in the stellar performance of our menswear brands over the past year. High & Mighty is also playing its part, with new high street stores and refits. Meanwhile, our ambassador for Marisota, Arlene Phillips, is helping to boost the brand's growing profile, and is working with us to design her own exclusive clothing range.



Measuring our achievements

I am pleased to report that the group has continued to make good progress in the 52 weeks to 26 February 2011. This has been achieved against a challenging economic backdrop by focussing on our core business whilst investing in our recent acquisitions and international expansion.

Financial Results

Total group revenues increased by 4.2% to £718.8m and by 1.3% on a like-for-like basis, excluding the sales from our recent acquisitions, High & Mighty and Fagleaves. Revenue growth has been restricted by the more conservative credit policies we adopted for higher value items but this has been a major contributor to the improved net bad debt charge to sales ratio which has fallen from 9.0% to 7.4%. This in turn is the main reason why we have managed to achieve a gross margin rate of 53.8%, up by 1.3% from last year's rate of 52.5%.

Operating profit is up by 5.1% to £102.6m giving an operating margin of 14.3% (2010, 14.1%). Profit before taxation is up 10.3% to £94.5m, or by 5.5% to £98.2m, after excluding fair value adjustments to financial instruments. Adjusted earnings per share are up by 9.1% to 27.02p.

The board has a medium term target for full year dividend cover of twice earnings per share and to this end it is proposing a final dividend of 7.37p, up by 15.0%. This gives a total dividend for the year of 12.41p, up by 15.0% and covered 2.2 times.

Net borrowings at 26 February 2011 were £180.9m, an increase of £10.8m from a year earlier. The principal reasons for the increase were the acquisition of Fagleaves for £10.3m, higher levels of capital expenditure, predominantly to

create state-of-the-art online functionality, and working capital, principally due to an accelerated intake of stock. Net finance costs have remained flat at £4.4m, covered 23 times by operating profits. Gearing has fallen from 53% to 50% on net assets which have risen by 13.0% to £360.4m. We have renegotiated a £200m securitisation facility for five years with HSBC a year ahead of schedule in order to avoid the risk of any turmoil in financial markets at a later date, albeit at a higher interest margin than we were paying previously.



Trading Highlights

During the year the highlights have been:

- Continued improvement in our targeted brand portfolio, with notable performances from Marisota, Jacamo and House of Bath.
- Growth across all of our major product categories as we expand the ranges both online and in the catalogues. Both menswear and footwear did especially well, with sales up 25% and 10% respectively.
- A 19% increase to £324m in e-commerce sales, which now account for 45% of total revenue.
- Growing the Simply Be brand domestically and internationally with the launch in the USA in August 2010 to complement the growing German operation.
- The acquisition of Figleaves and development of High & Mighty.

Corporate Social Responsibility

Activities demonstrating our corporate social responsibility are at an all time high. We are now ranked in the top quartile of retailers for our environmental behaviour, and continue to reduce our carbon footprint. The scale of charitable activities undertaken by our employees, both in donations and participation, is at record levels. We continue to strengthen our ethical sourcing policies and procedures.

Outlook

The UK consumer is facing rising costs and falling incomes in 2011, but we anticipate a slow but steady rising trend in disposable income thereafter. The cost of goods from the Far East has risen sharply as a result of increases in labour costs and commodities, such as cotton.

We are doing everything we can to cushion our customers from these rising costs but inevitably, in line with the entire clothing retail sector, there will have to be increases in selling prices. Furthermore we anticipate an increased level of targeted promotional campaigns may be needed to stimulate sales activity at various times during the year.

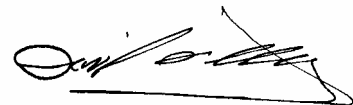
In our core home shopping business we continue to see the development of our online activities as the key to growth, since this enables us to have a wider product range and greater flexibility to change our promotional focus cost effectively. We will also be exploring the benefits of full multi-channel capability by trialling three concept stores during the year for our Simply Be brand. Success will be determined by whether the cost is justified by the incremental customers and revenue generated across all channels.

We expect further improvements in the trading performances of our two most recent acquisitions, Figleaves and High & Mighty, where we have been investing in systems and store openings respectively, as well as product development. International expansion of our Simply Be brand is an important element of the group's growth strategy. We have been encouraged by the first few months' trading in the USA and are planning to double our planned marketing spend this year to accelerate the rate of growth. Sales from Simply Be in Germany were up by 41% although returns rates remain higher than we would like.

Sales for the 10 weeks to 7 May 2011 are 4.8% up on last year or up by 1.5% on a like-for-like basis. This includes the distorting effects of the late Easter, the Royal Wedding and the warm April weather. We have also managed to maintain the rate of gross margin during

this period, despite a 9% rise in cost prices and a higher rate of VAT. We believe that a combination of a strong focus on our chosen customer and product groups, coupled with growing our online penetration, enhancing our recent acquisitions and building Simply Be in international markets will continue to put N Brown amongst the leading clothing retailers, and leave us well positioned for when the market improves.

The group has, yet again, performed well in difficult economic conditions, which is a testimony to the efforts of everyone who works in the business and the support from our suppliers and trade union. I would like to thank them all for their excellent contribution.



Lord Alliance of Manchester, CBE

Record results for revenue and profits, the acquisition of Figleaves and the launch of Simply Be in the USA demonstrate that this has been another exciting and positive year for the group.

Revenue for the 52 weeks to 26 February 2011 is up by 4.2% to £718.8m in total, and by 1.3% on a like-for-like basis, excluding the impact of the acquisition of High & Mighty and Figleaves.

Financial Highlights	£m 2011	% Growth
Revenue	718.8	+4.2
Operating Profit	102.6	+5.1
Adjusted Pre-Tax Profit*	98.2	+5.5
Profit Before Tax	94.5	+10.3
Total Dividend Per Share	12.41p	+15.0
Adjusted Earnings Per Share*	27.02p	+9.1
Net Borrowings	180.9	+6.3
Net Assets	360.4	+13.0

*Excluding fair value adjustments to financial instruments



Revenue

These results have been achieved in a period when consumer confidence has been at very low levels so to deliver positive like-for-like growth is encouraging. It has required us to focus on the areas of our business with the highest growth potential and allocate the marketing investment accordingly. All of our brands have a very clear proposition and points of difference which encourages customer loyalty.

In addition we have concentrated on driving sales through the online channel recognising that multi-channel customers spend more and cost less to service. We have continued the overseas expansion of Simply Be, launching in the USA in addition to our German operations. Finally, we have continued to rejuvenate High & Mighty and the acquisition of Figleaves in June 2010 has enhanced our strong position in the online lingerie market.



Customer Groups

The younger brands, targeted at customers aged between 30 and 45 years of age continued to be the fastest growing part of the overall portfolio. Sales, including the first time contribution from Figleaves, were up by 11% to £240m, or 4% on a like-for-like basis accounting for 33% of group sales. Simply Be reached revenues of £100m for the first time with growth in the UK and international markets. Jacamo offers a mix of branded and unbranded fashionable menswear, all in a very wide range of sizes through to 5XL, and was the fastest growing brand with total revenue up by 66%, backed by substantial expenditure on customer recruitment from television advertising and online search. A number of the younger brands, such as Fashion World, lost sales due to more conservative credit policies, which particularly impacted the higher-priced home and leisure products.

Sales from the mid-life brands, targeted at customers aged 45-65 grew by 2% to £431m, accounting for 60% of group sales. J D Williams, the traditional core of the business, had revenue slightly below last year but this was more than offset by good performances from the menswear brands, Premier Man and Williams & Brown, and growth of 16% in sales at House of Bath, which sells unusual home and garden items. Marisota continued its strong growth by attracting customers to its ladieswear and footwear ranges based on our expertise in sizing and fit, as well as fashionability, for the 45-plus woman.

The older titles declined by 9% to £48m, although this now only represents 7% of group revenues. We switched much of the recruitment activity from Heather Valley, Special Collection and Nightingales to Julipa, which has a more comprehensive range of products. However the target customer is finding economic conditions tough and this age-group has been an underperforming part of the retail sector generally. Gray & Osbourn struggled in 2010 for this same reason but finished

the year on a high with encouraging results from the refreshed Spring 2011 catalogues.

Customer Base

We have a customer base of over 6m who have purchased at least once in the last two years. The sales per customer from the established customer base was up by a healthy 4%, a function of the sales mix favouring higher value clothing and footwear. The number of active established customers fell by 3% as we switched some of our marketing activity from reactivation of lapsed established customers to new customer recruitment, where the sales rose by 4%.

Product Categories

We have a very high number of stock options in order to accommodate women's clothing from size 10 to 38, lingerie from A-L Cup and 34" to 58" back size, menswear from 38" to 70" chest measurements, and footwear in a vast array of width fittings as well as lengths, up to size 9 for ladies and 15 for men. Our ability to have clothing and footwear to fit our customers, regardless of their size or shape, is a fundamental point of difference to our competitors. The range has been expanded even more this year as, using the online integration software we have developed internally, we have enabled our suppliers to upload a further 30,000 product lines onto our websites. All of these extra products are delivered directly by the supplier to the customer, giving incremental sales without increasing working capital.

Category	Revenue £m	% of Total	% Change
Ladieswear	361	50	+1
Footwear	80	11	+10
Menswear	84	12	+25
Home & Leisure	194	27	-
Total	719	100	+4

Ladieswear sales have been mixed. Fashionable clothing for our younger customers, including our own brand fast

fashion online collections and sportswear, has done well. Customers have opted to buy the exclusive branded or celebrity-inspired ranges relative to the core lines. This suggests that customers are extending the replacement cycle on basic clothing, such as jeans, trousers, knitwear, outerwear and jersey tops, and concentrating their disposable income on pieces with an impact factor. Even within the basic categories the mix of sales has moved towards garments with unique features such as our "Magifit" control jeans, trousers and skirts. The situation was similar with lingerie sales. Figleaves saw like-for-like sales growth to the younger, more affluent customers but the sales of core basic bra packs were below last year's level.

In contrast menswear sales were strong in all areas, recording a 25% increase in aggregate. The strongest growth was in the younger menswear and sportswear where sales were up over 40%, but even the core menswear range was up by 9%.

Footwear sales rose by 10%, with good growth in all areas. We saw exceptional growth in footwear sales from our younger brands as we expanded the range in response to the demands of our Simply Be customers. Men's footwear has previously been under-represented in the mix of sales but is now growing rapidly.

Home and leisure sales were flat on last year. There were strong performances in gifts and homewares but the impact of asking for deposits on higher value furniture and electrical items reduced sales by £4m. The benefit of this policy is seen in the increased rate of gross margin from lower bad debts.

One of the notable features last year was the 7% increase in average selling prices. Whilst some of this is a function of increased prices from our suppliers in the Far East, much of it was due to the mix of sales favouring higher value lines.



Online Sales

The value of sales transacted online totalled £324m, up by 19%, maintaining our position as one of the top online retailers. We are ranked number one online for ladies clothing in size 16 and above, for the 50-plus age group and for ladies underwear. One of our key corporate objectives last year was to drive up the proportion of online business as we achieve incremental sales and reduced operating costs. To this end we invested £10m in upgrading our online systems, the benefits of which will be realised over the next few years. For example we re-wrote the registration and checkout pages which resulted in increases in attributable conversion rates. In addition we have reorganised the buying and marketing functions to give greater emphasis to online trading relative to the catalogues.

Online sales now account for 45% of total revenues, compared with 39% last year, and they have overtaken the value of orders taken in our contact centres, with the balance coming by post. In the coming year we expect online sales to account for the majority of all sales. The growth is coming from all age groups but in the next few years we are aiming to grow the proportion of online sales from our mid-life customers, currently 37%, as the younger customers are already at 64%, including some brands which are almost at 80%.

Gross Margin and Credit

Credit is an important part of the offer to our customer, and the income of £195m (up 2.5%) derived from our debtor book accounts for 27% of total group revenues. Approximately two-thirds of sales are made by customers who use the credit facilities, although in customer numbers it is less than half.

Bad debts rose during the recession but the changes we made to credit policies on customer vetting, credit limits and collections in the wake of this increased

default risk have been effective. In the 52 weeks ended 26 February 2011 the charge for bad debts fell by £9.1m to £53.1m, reducing the net bad debt charge to sales ratio from 9.0% to 7.4%. Inevitably the credit restrictions have reduced sales growth but we believe the balance between risk and reward on the credit book is now about right.

The overall rate of gross margin is 53.8%, up from 52.5% last year. The bulk of this improvement is the result of the lower bad debt rate, although the margin on product is also slightly favourable despite a higher level of promotional activity in the sector from our competitors.

Supply Chain

The last year has been the most challenging our buying team has faced for many years. There has been a step change in the price of goods from the Far East, driven principally by a reduction in capacity in China, a 160% increase in the price of cotton during the year, and significant price rises in other raw materials, especially those linked to the price of oil such as polyester and acrylic fibres. This has led to a squeeze on capacity in markets, such as Bangladesh, as retailers looked for alternative, lower labour cost markets to offset the price rises. Some of the rises in commodity prices are cyclical and we expect to see the price of cotton moderate by 2012 but the changes in the labour markets are structural and signal the end of the regular deflation in clothing prices we have enjoyed for the last 15 years. We have been doing everything we can to mitigate the price increases for our customers through negotiation with suppliers, moving between markets and garment re-engineering, but we still expect to see price increases of around 9% in 2011. However we also expect to see customers continuing to focus their spending on the clothing lines which clearly make a fashion statement, which will favour branded, celebrity-designed and

higher-priced ranges which will increase the average selling price even further.

We have finished the year with stock levels up 18.1% on last year, excluding the stock acquired for Fingleaves. There was a conscious decision to bring Spring/Summer 2011 stock in earlier than in 2010 because of the volatility in the supply chain we experienced in the autumn, to ensure high levels of stock availability for customer orders. As commodity prices settle down we would expect a return to normal lead times.

Overheads

Costs have been contained at the previous year's level with the exception of marketing costs where we spent 9% more to increase customer recruitment, promote Simply Be abroad, and support the growing brands like Jacamo and Marisota. Distribution costs benefited from higher average order values due to higher selling prices and the switch to online. We have moved all our parcel deliveries to Hermes resulting in improvements to both service and costs.

Customer Service

The vast majority of our key performance indicators were positive with improvement in the contact centres, online service and distribution. This was despite the disruption in December from the bad weather and the mailing delays to catalogues and statements experienced subsequently. We are now asking customers to submit product reviews online which will give us early indicators of any quality issues, but so far the vast majority of comments posted are highly complimentary. We will continue to focus on further improvements to the quality of our service and increasing the options available to our customers.

International

Our international strategy is based on utilising existing product lines and images from our Simply Be brand, and distributing



direct to the overseas customer from our UK warehouses. This should allow us to break even by year 3 or 4 assuming we can recruit reasonable volumes of customers at an acceptable cost per customer.

Revenues from our Simply Be brand in Germany and the USA totalled £4.2m (2010, £2.4m), over 70% of which was transacted online. In Germany sales were up by 41% and we reduced the rate of returns by two percentage points but at 61% it is still higher than we would like. The new season has started well and we anticipate a further increase in revenue, which, coupled with cost efficiencies, will reduce the losses this year.

We launched Simply Be in the USA through the distribution of 1 million catalogues to targeted customer lists during the autumn of 2010. Revenues in the USA were just under £1m, and the low rate of returns and high gross margin are both encouraging. Based on these early positive indications we are planning to despatch 3 million catalogues in Summer 2011 and have started to increase the online activity. We will be accelerating our recruitment plans further in the autumn campaigns.

Acquisitions

Figleaves, the leading online lingerie retailer, was acquired in June 2010 for a net cash consideration of £10.3m. Since then we have achieved revenues of over £16m, a 4% like-for-like increase for the business, on which we incurred an underlying loss of £0.9m. The strategy is to build up the proportion of own brand sales from the current 17% level and to expand the product ranges offered to the customer, either through organic development or alternatively from those products already within the group.

High & Mighty was acquired out of administration in September 2009 for a consideration of £1.6m. Sales of over £7m and losses of £0.8m represented



good progress for the first full year, with like-for-like store sales up by 8%. It was a busy year with three of the fourteen stores relocated, three more refurbished and three new stores opened in Liverpool, Newcastle and Belfast. We have migrated the website onto the N Brown platform and we are now seeing positive growth in online sales.

Outlook and Current Trading

We will continue with our strategy of focusing on our core home shopping business in the UK whilst establishing the Simply Be brand in the USA and Germany and turning Figleaves and High & Mighty into profitable businesses. The combination of lower disposable incomes and cost inflation will put consumer spending under severe pressure, but we believe our strategy of focusing on niche customer and product groups, coupled with our credit offer, is the right one.

Within the core business we expect to see continued high growth rates from Marisota and Jacamo, and we have launched a new brand, Fabrici, which offers a range of clothes with natural fibres, such as linen and silk, at higher price points. We will again be working with a number of celebrities and designers on capsule ranges, including an expanded range from Arlene Phillips.

E-commerce remains fundamental to the growth of the business and we will be continuing our investment program to upgrade and exploit the online platform. We will complete the new content management system by the summer which will provide a platform for greater personalisation of the websites in the future as well as speeding up the publication of new offers, products and promotions.

N Brown Group's extensive portfolio of brands, allied with the credit offer, means it is a complex business to manage.



However, we have a loyal and experienced management and workforce, and everyone who works in the business can take immense credit for producing increased revenues and profits for a seventh consecutive year, despite the unhelpful economic environment. The current year will be at least as challenging but I am confident that our strategy will develop new areas for future growth and deliver another good result.

Alan White





The 52 weeks to 26 February 2011 was another record year for the group reflecting the successful continuation of our strategy to develop our home shopping business. Group sales increased by 4.2% to £718.8m.

Group operating profit for the same period increased by 5.1% to £102.6m (2010, £97.6m). This was achieved with the help of a 1.3% increase in the rate of gross margin arising from a lower rate of charge for bad debts of 7.4% (2010, 9.0%) partially offset by an adverse margin mix.



Group Trading Summary

Distribution costs rose by only 1.6% to £62.9m (2010, £61.9m) benefiting from a higher average selling price per order. Sales and administration costs increased by 9.4% to £221.5m (2010, £202.5m) as we have invested in additional marketing activity to sustain sales and drive customer recruitment. As a result, the group's operating margin improved slightly to 14.3%, compared with 14.1% last year.

Profit before taxation and fair value adjustments to financial instruments amounted to £98.2m (2010, £93.1m), benefiting from a small reduction in net finance charges from £4.5m to £4.4m. An adverse movement in the fair value of the group's forward foreign currency contracts contributed a loss of £3.7m compared to a £7.4m loss last year. The fair value of the forward contracts is based on external factors and is outside the control of management. Profit before taxation was up 10.3% to £94.5m (2010, £85.7m).

Taxation

The effective rate of corporation tax for the year was 24.1% (2010, 27.1%) arising from clarification in the year of draft tax legislation which affects a number of initiatives taken in previous years. 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 £360.4m at the year-end from £319.0m last year.

The acquisition of Fingleaves resulted in a net cash outflow of £10.3m. Total capital expenditure, excluding Fingleaves, for the year was £22.1m (2010, £13.2m). The majority of the expenditure related to the ongoing development of our websites and supply chain management and logistic systems plus refurbishment of several High and Mighty stores. Year-end stock levels were 25.2% higher than last year at £78.1m (2010, £62.4m), in line with our plans to accelerate purchasing to improve customer service.

Trade debtors at the year-end were up 6.2% to £474.5m compared to £447.0m last year. The bad debt provision has reduced to £45.1m (2010, £47.0m), which equates to 8.7% (2010, 9.5%) of gross debtors.

The net pension position of the group's defined benefit pension scheme has changed from a £1.8m deficit at February 2010 to a £3.3m surplus at the year-end primarily as a result of the additional contribution of £4.0m paid during the year. Net cash generated from operating activities decreased from £91.7m to

£57.4m mainly as a result of higher customer receivables and higher stock levels. After paying for Fingleaves, capital expenditure, finance costs and dividends, net debt increased by £10.8m to £180.9m (2010, £170.1m) but gearing improved from 53% to 50%.

Key Financial Performance Indicators

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

- Like for like sales (see page 8).
- Internet sales (see page 12).
- The number of customer debtor accounts and their average debtor balance, which at the year-end was 1,489,000 (2010, 1,577,000) and £331 (2010, £303) respectively.
- Mix of sales by product and customer groups (see page 11).
- Gross margin (see page 12).
- Operating margin (see page 14).
- Interest cover (see page 8).
- Earnings per share (see page 8).

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; and
- 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 taking appropriate actions to mitigate where necessary. Business continuity procedures are in place, together with 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 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. This facility has recently been renewed for a further 5 years until March 2016. 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, which expire in January 2012. All the current facilities in place at the year end 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. There were no interest rate swaps in place in the year.

Anticipated foreign exchange requirements for the purchase of stocks denominated in US dollars may be 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 \$70m (2010, \$60m).

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 financial position. These include cash flows, liquidity position, borrowing facilities and the principal 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. 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 trading risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate might 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. The £200m securitisation facility has recently been renewed for a further 5 years until 2016 and it is the group's intention to renew the remaining loan facilities that expire in January 2012 for a further 5 years. Loans

drawn down under these facilities of £40m have been included within current liabilities for the period ended 26 February 2011.

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 even in the unlikely event that the remaining facilities are not renewed. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and accounts.

Shareholder Return

The share price of 215.6p at the start of the year had risen to 274.7p at the year end giving a market capitalisation of £770.3m (2010, £600.2m). 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. A final dividend of 7.37p (2010, 6.41p) per share has been recommended by the board giving a total dividend for the year of 12.41p (2010, 10.79p) per share, up by 15.0%, covered 2.2 times (2010, 2.3 times).



Dean Moore

Directors and Officers



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

A) Lord Alliance of Manchester CBE (78)
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 (56)
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 Chairman of CBI in the North West.

C) Dean Moore (53)
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 (76)
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 (66)
Deputy Chairman
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 (68)
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 (62)
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 and Chairman of Investment Advisory Panel for North West Business Finance Ltd. Member General Assembly of The University of Manchester. Chairman of the audit committee.

H) Anna Ford (67)
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 (55)
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.

The Facts and Figures

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Directors' Report

The directors present their annual report and accounts for the 52 weeks ended 26 February 2011.

Activities and results

The principal activity of the group is retailing through direct home shopping. The activities are more fully explained and reviewed in the Chief Executive's Review on pages 10 to 13. Group profit before taxation from continuing operations for the 52 weeks ended 26 February 2011 amounted to £94.5m (2010, £85.7m). No geographical segmentation is provided as, apart from small operations in the Republic of Ireland, Germany and the United States of America, all activities take place in the United Kingdom.

Enhanced business review

The company is required by the Companies Act 2006 ('Companies Act') to set out in this report a fair review of the business of the group during the 52 weeks ended 26 February 2011 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 8 to 15) all of which information is deemed to be incorporated in this report by this cross-reference.

The board continuously identifies and reviews key business risks and monitors a number of financial and non-financial Key Performance Indicators. The financial KPIs are detailed on page 14 and non-financial KPIs are discussed further below. The board oversees the development of processes to ensure risks are managed appropriately. Executive directors and operational directors implement and oversee these processes and report on them to the board.

Dividends and reserves

An interim dividend of 5.04p per share (2010, 4.38p) was paid on the ordinary shares of the company on 7 January 2011.

The net cost of this dividend was £13.8m (2010, £12.0m).

The directors recommend a final dividend of 7.37p per share (2010, 6.41p) for the 52 weeks ended 26 February 2011, the net cost of which will be £20.6m (2010, £17.7m). The dividend will be paid on 29 July 2011.

Movements in reserves are shown in the Statement of Changes in Equity on page 43.

Acquisitions and disposals

As announced in June 2010 the group acquired the entire issued share capital of Figleaves Global Trading Limited for a total cash consideration of £11.9m. Its principal activity is that of an online lingerie retailer.

Share capital

Details of the company's authorised and issued share capital are shown in note 22 on page 61. 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 28 on page 63.

Annual general meeting

The annual general meeting is to be held on Tuesday, 5 July 2011. 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 16. 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 board has resolved to adopt with immediate effect the requirement in the UK Corporate Governance Code that all directors retire and submit themselves for re-election annually. Therefore each of the directors will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment at that meeting.

Details of directors' interests (beneficial and non-beneficial) in shares of the company are given in the Remuneration Report on page 38 and are deemed to be incorporated into this report by cross-reference.

The powers of directors are described in the board terms of reference and the Corporate Governance Report on page 24.

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 38 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 2011:

	Holding	% of issued share capital
Threadneedle Asset Management Ltd	18,461,603	6.58
INVESCO Asset Management Ltd (Europe)	10,998,930	3.92

Directors' Report

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 24 to 27.

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 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, and 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 a confidential means of reporting any ethical concerns

that they may have regarding the way the group operates in its day-to-day activities. No 'whistleblowing' events were reported in the year.

Environment

The group recognises the continuous improvement of our environmental performance as an integral component to the success and future sustainability of our business operation. As a result the group is highly committed to minimising any damage which its activities may cause to the environment and 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.

Since 2007, the group has been actively working alongside Envantage Limited and Storm Waste Limited to reduce energy and water consumption, minimise waste, reduce carbon dioxide emissions and boost environmental responsibility and reputation. Significant achievements since 2007-2008 figures have been realised due to the introduction of a robust energy, water and waste management strategy and investment into energy efficiency and water minimisation technologies.

The following environmental improvements have been achieved:

- A reduction in CO2 emissions (gas, electricity and diesel) by 292 tonnes or 2.4% since 2008;
- A reduction in electricity consumption by 1,013,869 kWh;
- A reduction in diesel fuel for logistics of 35,056 litres;
- 100% of waste is now recycled in all group owned properties; and
- A reduction in water consumption by over 46%.

In addition to the outlined quantitative achievements above, the group has also been working on several other key areas to set standards for our environmental responsibility and reputation, including the following:

- The promotion and facilitation of green commuting among staff, with a target to reduce commuting related CO2 emissions by 5% over the next 12 months;
- Annual voluntary reporting to the Carbon Disclosure Project, where the group has been again ranked in the top 3 FTSE 350 companies in our sector;
- Considering options for renewable energy installations, including Solar PV / Voltage Optimisation and Liquid Pressure Amplification;

- Planned further investment into the next wave of our energy efficiency programme;
- Installation of automated energy monitoring;
- Planning to join the British Retail Consortium's Climate Change Commitment;
- 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% recycled paper; and
- Wherever possible, paper used in the printing of our catalogues is derived from managed and renewable sources accredited by the Forest Stewardship Council.

Employees

- **Employee involvement.** Continuing success can only be achieved by an engaged, enthusiastic, motivated and well-trained workforce. Considerable resources are devoted to employee training. Frequent departmental team briefings are held and an employee engagement survey is conducted regularly, the most recent being in 2010. 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. The logistics and customer service divisions have also achieved Investors in People accreditation and it is planned that the whole group will in due course achieve this standard. 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 work is delivered by the HR learning and development team, which is supplemented by external training in specialist technical and IT training areas where necessary.

As well as individually tailored training, there is also a suite of self-training tools available, and an online database – "simplydevelopment" which enables employees to access a wide range of self-development activities, tools and information.

Directors' Report

As mentioned above, in 2010 the group repeated its business-wide Employee Engagement Survey and over 2,300 employees participated. The results have been collated and reviewed and the board are working on an action plan to address the survey's findings.

In early 2011, the company's senior management completed a pioneering e-learning course designed to strengthen knowledge and understanding of various processes by which the business is using the internet and social media to better engage our customers and understand their needs.

- Consultation. Constructive relationships with the trade unions that represent the group's employees (principally USDAW and SATA) exist. 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, and to achieve a balanced working population spread across a diverse range of ethnic origins, gender and age groups.

Applications for employment by disabled persons are thoroughly and sympathetically considered, with the aptitude of the applicant being regarded as foremost. In the event of any employee becoming disabled during their employment, every effort is made to ensure that their employment with the group continues. 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 ('H&S'). 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. The group is also committed to best practice initiatives. Benchmarking against OHSAS 18001 standards has taken place throughout the year and have helped define the group's strategy in progressing H&S as a senior level issue over the coming year including behavioral safety initiatives which will continuously improve the group's H&S culture.

The group's accident statistics for 2010 are the lowest on group record to date. Cumulative group accidents statistics show that in the year in review, reportable accident ratios per 100,000 hours worked under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 ('RIDDOR') were 0.93 in the warehousing division. Our RIDDOR Accident Incident Ratio (per 100,000 employees) was 1,027, which compared favourably with the UK HSE figure of 1,181 for the transport/logistic sectors. Benchmarking studies with our close competitors has also shown that we out-perform them against this and other measures.

Accident statistics for the group show a reduction of 10%, at 163 accidents, with most significant reductions being evident across all accident types, with the exception of manual handling. This area provides some of the focus for the coming year's objectives and will be supported through a forum approach with Occupational Health, H&S, company physiotherapy and emphasis on rehabilitation through case management with HR and operational management.

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 employees and customers in proper use.

Customers

A key factor 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. Telephone enquiry and complaint calls received from customers are analysed and remedial action taken to improve the levels of customer service.

Suppliers

The group is aware of the potential social impact of its business dealings wherever the goods are manufactured, particularly in developing countries. Now forming part of our standard conditions of contract for the purchase of products for resale, we require all suppliers to agree to adopt the principles of our Code of Conduct. This Code of Conduct is based on the ETI (Ethical Trade Initiative – www.ethicaltrade.org) Base Code. This includes sections on:

1. Freedom of employment;
2. Freedom of association and collective bargaining;
3. No recruitment of child labour;
4. A living wage is paid for the country of manufacture;
5. Excessive working hours are not worked;
6. No discrimination is practised;
7. No harsh or inhumane treatment;
8. Regular employment is provided; and
9. Safe and hygienic working conditions.

In addition, we require that all suppliers adhere to all relevant local and national labour and health and safety laws in the country of manufacture. All new suppliers to the group are required to agree to this Code of Conduct before any business is placed with them. Supplier Self Assessment forms are used to assess how our suppliers integrate the principles outlined in the Code of Conduct into their day-to-day operations. This detailed questionnaire contains several questions based on the above sections of the Code of Conduct. Once completed by the supplier for each factory that manufactures goods for the group, the results are compiled and suppliers are given an initial rating. This is based on a traffic light system enabling the group to assess common patterns of working depending on the sector and country or region of manufacture.

If a supplier does not reach the required standard and further work or evidence of working processes is required, a detailed Corrective Action Plan is compiled which will include any remedial action that is required from the supplier. A realistic timescale is then agreed with the supplier to adopt these proposals and improve the working conditions within the factory.

Directors' Report

At the time of writing over 1,375 suppliers have been issued with a Code of Conduct and Self Assessment Form.

This year the group has undertaken a comprehensive in-house training course for all Buying and Merchandise staff that visit our supply base. The training course covers all aspects of the Code of Conduct and what this means on a practical basis. The course also covers the working practices that staff are likely to encounter when they visit suppliers, with some examples of best practice and questioning techniques that can be used. The course also highlights a process for Buying and Merchandise to highlight concerns they may have when visiting suppliers. Continued non-compliance by a supplier will lead to de-listing from all group companies.

The group is also in the process of appointing an audit partner to ensure compliance and document any further work needed within the supply base to improve working conditions. It is hoped that the audit process will highlight areas of best practice that can be applied across all sectors and other group suppliers. Suppliers have been prioritised by the value of business placed with them, the country of manufacture and the results of the initial Supplier Self Assessment forms. The audit process will begin rolling out across the group later in the year with all factories being audited at least once every two years. Most of the audits will be carried out on a semi-announced basis with some being carried out unannounced.

The group has further confirmed its commitment to improving the working conditions of people within our supply chain by joining the Ethical Trading Initiative ('ETI') as a foundation member. ETI is an alliance of companies, trade unions and non-governmental organisations ('NGO') which seeks to work together to improve workers' lives. The group will be taking an active part in membership of ETI by partaking in relevant working groups, sharing and learning best practice from other members. As a requisite of membership of ETI the group will also be compiling a detailed annual report which will outline the progress of ethical trade work already completed as well as helping to focus and prioritise areas of work for the forthcoming year.

This report is in turn audited by an external agency as well as a relevant NGO to help benchmark the group's progress against other members of ETI and to highlight

areas of work for the forthcoming year. The group is also currently undertaking an audit of factory locations and countries of manufacture as an additional method of mapping the supply chain and prioritising resources where the greatest impact will be felt in the future.

Trade creditors of the group at 26 February 2011 represented 40 days (2010, 38 days) of purchases.

Community relations

The group actively supports the communities in which it operates. The family, health and well-being programme, now in its seventh year, continues to provide additional benefits for all our employees.

The group maintains its close links with the Christie Hospital in Manchester 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 a number of noteworthy causes, such as £21,000 for Access and 180 employees taking part in the Manchester Bupa 10k run. The group once again 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 employees have organised fund-raising activities to assist the following good causes:

- Barnardos;
- Christies;
- Help for Heroes;
- Crossroads care association;
- MacMillan cancer care;
- Beechwood Cancer Care;
- Children in Need;
- FACT (families for autistic children);
- When you wish upon a star; and
- Chetham's School of Music.

Once again in 2010/11 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 £60,000.

The group assisted Comic Relief this year when 120 of our employees gave up six hours of their own time to take donation calls during the live Comic Relief TV broadcast.

Charitable and political donations

During the year, the group made charitable donations of £70,960 (2010, £70,569). No political donations have been made (2010, 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).

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.

Directors' Report

Financial risk management, objectives and policies

The group is exposed to certain financial risks, namely interest rate risk, currency risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 19 on page 67. The group's risk management policies and procedures are also discussed in the Financial Review on page 14.

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 Tax Act 2010.

Auditor

A resolution to reappoint Deloitte LLP as auditor to the company and to authorise the directors to fix their remuneration will be proposed at the annual general meeting on 5 July 2011.

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; and
- 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 but have the power to vote for or against, or not at all, 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 14.

Liability

All the information supplied in the Chairman's Statement on pages 8 to 9, the Chief Executive's Review on pages 10 to 13, Financial Review on pages 14 to 15, Remuneration Report on pages 28 to 38 and the Corporate Governance Report on pages 24 to 27 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.

Directors' Report

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. 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 auditor is 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 auditor is 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

17 May 2011

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

17 May 2011

Corporate Governance Report

Combined code

The board is committed to maintaining 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").

For the year in review the group and the directors have complied with the provisions set out in section 1 of the Code. The following paragraphs explain how the main principles of the Code have been applied. The Director's remuneration report contains further details on page 28 to 38.

The board has noted and is aware of the recent changes in corporate governance; in particular the new UK Corporate Governance Code (the "New Code") which was issued by the FRC in June 2010. The board is reviewing the New Code in relation to financial years commencing March 2011 and will report on it in the Annual Report in 2012.

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 directors are, Lord Alliance of Manchester CBE, (Chairman), 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 our senior independent non-executive director and deputy chairman. Lord Stone was appointed to the board in March 2002 and, at the date of this report, has also now served for a period beyond which the Code suggests his independence may be affected.

As with Ivan Fallon, the board considers Lord Stone to be an extremely effective member of the board and that his extensive retail knowledge is of such strategic value to the board that this far outweighs any considerations of non-independence.

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.

Under the articles one third of the board is required to retire every year. 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 but 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. Notwithstanding the foregoing, the board has resolved to adopt, with immediate effect, the requirement in the New Code that all directors retire and submit themselves for re-election annually. Therefore each of the directors will retire at the forthcoming AGM and, being eligible, offer themselves for reappointment at that meeting.

The board, having carried out a recent performance evaluation, considers that the commitment of all directors to the role and the performance of all directors, continues to be effective. Sufficient biographical detail is provided on page 16 of this annual report to enable shareholders to make an informed decision on the re-election resolutions. 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 34.

Board operation

An effective board of directors leads and controls the group. The members of the board are shown on page 16 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	8

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 group's ethical, social and environmental policies. Currently, the January board meeting is held over two days and is entirely devoted to the development and review of long-term corporate strategy and the development of the group's long-term strategic plan. This year's meeting was facilitated by external consultants who were given the brief by the Deputy Chairman to challenge and evaluate the long-term growth and strategic plan drawn up by the executive directors. The consultants did not find any material weakness or omission in the group's strategic plan but made a number of recommendations which are being worked upon. Day-to-day operational management of the group is delegated to the home shopping board of JD Williams & Company Limited on which Alan White and Dean Moore sit as Chief Executive and Financial Director respectively.

Corporate Governance Report

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, compliance and regulatory briefings 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 meet 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 regularly briefs the board on regulatory and compliance matters, shareholder engagement, continuing director education and the statutory duties and obligation of the directors.

In the year under review, the board 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 sufficiently robust, appropriate and cost effective 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 operate well, are effectively led and that robust, free and frank discussion and challenge to the operational divisional directors and the executive directors exists. The survey also 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. With the growth of regulatory and compliance matters some directors reported that consideration be given to holding more meetings per year and this is being considered.

Beyond the formal annual evaluation, the performance of the executive directors is continuously monitored throughout the year by the Chairman and the Deputy Chairman. The board has noted that the New Code will require an external evaluation to be carried out in future, at least once in every 3 years.

Director's conflicts of interest

The articles of association of the company give the directors the power 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.

Procedures have been set in place by the board to regularly report and record any potential or actual conflicts which arise in a register which is then reviewed by the board at least annually.

No conflicts were reported in the year under review.

Committee structure

The board has delegated specific authorities to a number of 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. The members of the committee are regarded as having recent and relevant financial experience. By invitation, the audit committee meetings are attended by the Chief Executive, the Finance Director, the group's 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. In the year under review the committee has:

- Reviewed and approved the annual internal audit programme and resources;
- Met with the internal and external auditors in the absence of the executive directors;
- Considered the annual and interim financial statements before submission to the board, received and reviewed the audit reports and audit-related reports provided by the external auditor, Deloitte LLP;
- Reviewed and assessed the group's system of internal risk control and reported its findings twice to the board; and
- Received papers from the company secretary on CSR and governance issues.

Corporate Governance Report

On each occasion it meets, the committee discusses audit and audit-related matters with the external auditor both with, and in the absence of, the executive directors and the internal auditor. Additionally, the chairman of the committee also regularly attends the group's head office to meet with the Finance Director and, separately, 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 senior management to consider whether significant risks are being identified, evaluated, managed and controlled and whether any significant weaknesses exist which need to be addressed. Again this year, the committee members have received, considered and approved an updated risk evaluation from the operational directors. Further details are given later in the Risk Management section of 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 has it identified itself, any failings or weaknesses in internal control which it has determined to be material.

The audit committee periodically reviews the appointment and independence of the external auditor 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 has been the group's auditor for a number of years. Having reviewed the independence and effectiveness of the external auditor, the committee has not considered it necessary to require them to tender for the audit work. Deloitte LLP have during the year also provided some non-audit services to the company in the form of tax advice. The audit committee is aware that providing audit and non-audit services could give rise to a potential conflict of interest. To address this concern, the company has also 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 28).

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.

There are no contractual obligations restricting the group's choice of external auditor. The committee has recommended that the existing auditor, 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 2011 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 on 4 occasions 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 28 to 38. The report will be put to an advisory vote by the members at the company's 2011 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.

Finance Committee

So that actions may be taken promptly, a finance committee comprising the chairman of the audit committee, the Chief Executive and the Finance Director (together with such other non-executive directors as the board may appoint from time to time) operates between scheduled board meetings and is authorised to make decisions, within limits defined by the board, regarding certain finance, treasury and tax or investment matters.

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.

Corporate Governance Report

Risk Management

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.

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, the board (through the audit committee) discusses with the external auditor 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 (and certain members of the board of the operating division) 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 recently upgraded website provides shareholders with up to date, comprehensive and accessible information about the group and its 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 5 July 2011. The auditor is 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 ("the committee") constituted in accordance with the recommendations of the Code.

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 directors. 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 and are considered by the company to be independent. 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.

Recommendations and reports were provided to the committee during the year under review by Alan White, the Chief Executive. No director played any part in discussion about their own remuneration. The Committee also received advice from external advisers during the year which materially assisted their consideration of remuneration matters as follows:

- Hewitt New Bridge Street provided benchmarking services in setting executive remuneration;

- 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 matters;
- Pinsent Masons LLP provided advice in respect of the company's share incentive plans and additional advice in relation to pension arrangements; and
- Mercer Human Resource Consulting Limited provided advice in relation to the Chief Executive's pension arrangements.

Hewitt New Bridge Street, Ernst & Young LLP and Mercer Human Resources Consulting Limited were appointed by the committee and provided no other services to the company. Pinsent Masons LLP are the group's general legal advisers and were not specifically appointed by the committee. Details of these advisors' other connections with the group, and the advisors' terms of engagement, are available on request from the Company Secretary.

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, the Chairman 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 2010/2011 period;
- Setting the parameters for the bonus scheme for 2011/2012;
- Agreeing the individual long-term share awards for executives and senior management for 2010-2013 and reviewing the performance measures and targets applying to these awards;
- Approving vesting levels of long term and deferred bonus incentive schemes for the 2007-2010 and 2008-2010 schemes respectively;
- Approving this remuneration report;
- Reviewing current investor guidelines on executive remuneration; and

- Reviewing the relationship between the long-term strategy of the company and executive remuneration with a view to ensuring the two are in line with each other.

Remuneration policy for executive directors and senior executives

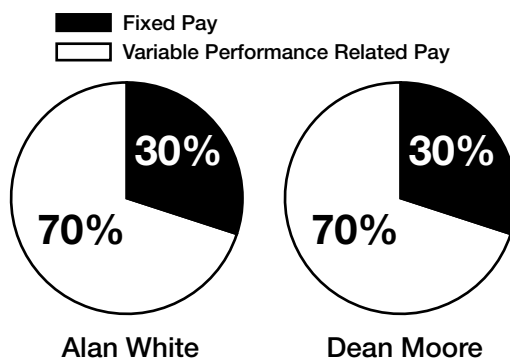
The committee's policy is designed to ensure that the main elements of the remuneration package are linked to the company's long-term strategy capable of attracting, motivating and retaining executive directors and senior executives by offering them competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability. 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), long-term share based incentives, a pension, a company car allowance and private 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 and linked to the promotion of the long-term success of the group. Executive pay is aligned with, and designed to promote the long-term success of the company, compatible with the company's risk policies and systems. 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 to safeguard against excessive reward. 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 reviews the policy on an annual basis and recommends changes as and when appropriate, guided in this process by external consultants it appoints from time to time. 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.

Remuneration Report

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

Analysis of Performance vs Non Performance element of Remuneration Package



Following expiration of the company's deferred annual bonus scheme and company share option scheme, the committee obtained shareholder approval for a replacement Deferred Annual Bonus scheme ("DABs"), and an Unapproved Discretionary Share Option Scheme (the "Unapproved Scheme") and HM Revenue & Customs Company Share Option Plan ("CSOP") to replace the share option scheme. The company also obtained approval for a replacement of the employee Savings-Related Share Option Scheme ("SAYE") following similar expiration of the previous plan. Each new plan replicates the structure of its predecessor.

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. Salary levels of senior management were all reviewed in the context of salary levels within the workforce as a whole.

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

Salaries as at June 2010	
Alan White	£510,000
Dean Moore	£287,130

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 strategy 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 'milestones' contained in the company's strategic long-term 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 components of the annual bonus scheme are made up as follows:

- Group profitability (70% of bonus);
- Corporate objectives (15% of bonus); and
- Individual objectives (15% of bonus).

The maximum potential bonus payable to an executive director for 2010/11 and 2011/12 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 under the DABs scheme and is 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 performance targets used for 2010/11 were based on a combination of absolute growth in profit over the previous year's reported profit before tax, the increase in online order penetration and the achievement of personal objectives. The performance targets for 2011/12 have recently been reviewed and, again, will be based upon a combination of profit growth and the achievement of personal and corporate objectives.

For 2010/11 the achievement of each element of the bonus was scored as follows for both executive directors:-

(a) Group profit (70% of bonus)

The targeted adjusted profit before tax range for bonus purposes was £95.0m to £97.5m, compared with the prior year adjusted result of £93.4m. Adjusted profit before tax for 2010/11 was £98.7m, therefore the bonus payment due under this element of the scheme was 70%.

Remuneration Report

(b) Corporate objectives (15% of bonus)

The corporate objective for the year in review was to increase online order penetration. Internet sales of 45% were achieved and therefore the payment due under this element of the bonus scheme was 9.6%.

(c) Individual performance objectives (15% 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 increase product sales, deliver better internet functionality and exploit social media, launch the USA catalogue, improve profitability in acquired businesses, increase speed of despatch of products and deliver improvements in customer service. Amongst Dean Moore's personal objectives were objectives to manage group borrowings, renew the group's banking facilities, achieve procurement savings, improve bad debt performance and residual debt

recovery. 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 11.03%
- Dean Moore 11.25%

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
2010/11 Bonus & Deferred Shares Paid	£462,188	£260,858
2010/11 Matching Share Award (Contingent)	£115,547	£65,214
Total 2010/11 Bonus & Matching Share Award as a percentage of Salary	113.3%	113.6%

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 ("LTIP")

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. It is the intention of the committee to recommend that awards of LTIPs are made again in 2011/12.

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

Currently the committee adopts a policy of granting awards of up to 100% of salary to both executive directors.

Remuneration Report

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;
- TSR performance condition is in the opinion of the committee more closely aligned with shareholder interests than earnings per share ("EPS") growth;
- TSR performance condition more closely evaluates company performance against a basket of comparator companies in the same sector; and
- 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 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, Dixons Retail, Dunelm, Findel, Flying Brands, French Connection, Halfords, HMV, Home Retail Group, 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 onwards) 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 2008, 2009 and 2010. Based on performance as at 30 April 2011, the company's TSR is currently (at the date of this report) ranked as follows:

2008-11 Upper quartile
2009-12 Second quartile
2010-13 Second quartile

Executive share option schemes

For share option schemes, including the new Unapproved and CSOP schemes approved at last year's AGM, 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	Unapproved and HM Revenue & Customs CSOP 2010
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%

Remuneration Report

Value creation plan 2009

In 2009 shareholders approved 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 and details of the awards made to each of the directors can be found on page 38. 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%. At 26 February 2011 TSR performance for the relevant period had increased by 150%.

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 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 a 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.

As mentioned previously, the company's shareholders approved the adoption of a new SAYE at the 2010 AGM which will operate in exactly the same manner as the outgoing scheme.

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 371%
- Dean Moore 195%

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. As Alan White remained 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, subject to the above two-thirds maximum. During the year Alan White waived £177,927 of his unapproved annual accrued pension entitlement under the terms of the unapproved scheme. 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
- private 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.

Remuneration Report

Non-executive directors are retained on letters of appointment. All non-executive appointments are for indefinite terms terminable upon six months notice and are subject to successful

re-election upon retirement by rotation as required by the company's articles of association. Termination carries no right to compensation other than that provided by general law.

The details of directors' contracts are summarised below:

Name	Status	Date of contract/letter of appointment	Notice period
Lord Alliance of Manchester CBE	non executive	16 May 2007	6 months
Alan White	executive	10 August 2002	12 months
Dean Moore	executive	20 December 2004	12 months
Nigel Alliance OBE	non executive	16 May 2007	6 months
Ivan Fallon	non executive	30 May 2007	6 months
Lord Stone of Blackheath	non executive	30 May 2007	6 months
John McGuire	non executive	16 May 2007	6 months
Anna Ford	non executive	11 February 2009	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

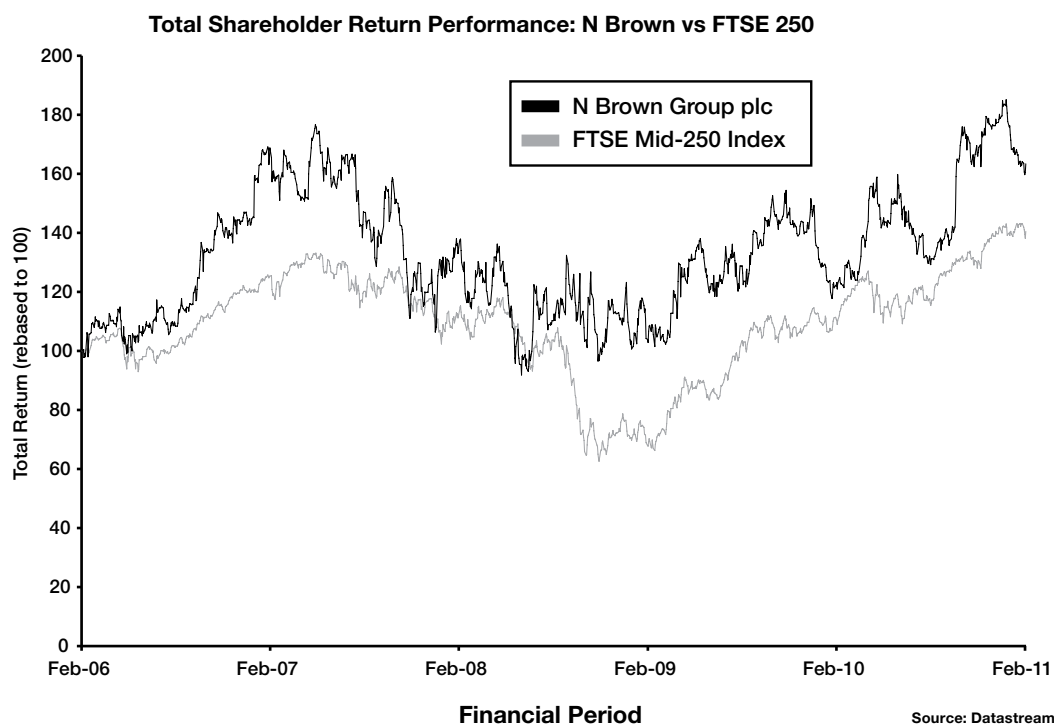
association and based on independent surveys of fees paid to non-executive directors of similar companies.

The basic fee paid to each non-executive director in the year was within the range £17,000–£38,000 per annum. A further fee of £5,000 is payable for additional work performed in respect of the chairmanship of the remuneration committee, £6,500 for the chairmanship of the audit committee and £3,000 for chairing the nominations committee. The Deputy Chairman also receives an additional fee of £7,000 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.



Remuneration Report

Audited Information:

Directors' remuneration and interests

Emoluments

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

	Salaries /fees £'000	Contribution to employee benefit trust ¹ £'000	Taxable benefits ² £'000	Performance- related bonuses ³ £'000	2011 total £'000	2010 total ⁴ £'000
Executive (salaries)						
Alan White	517	2,230	1	462	3,210	997
Dean Moore	306	27	1	261	595	542
Non executive (fees)						
Lord Alliance of Manchester CBE	17	–	–	–	17	17
Nigel Alliance OBE	18	–	–	–	18	18
Ivan Fallon	50	–	–	–	50	41
Lord Stone of Blackheath	38	–	–	–	38	36
John McGuire	45	–	–	–	45	38
Anna Ford	38	–	–	–	38	32
	1,029	2,257	2	723	4,011	1,721

1. During the year emoluments of £2,229,765 for Alan White and £27,497 for Dean Moore have been paid directly to an employee benefit trust to be held for the benefit of their families.
2. Taxable benefits comprise the provision of private medical cover.
3. Included in the performance-related bonus awards stated above are £115,547 for Alan White and £65,214 for Dean Moore which (after deduction of income tax) are shortly due to be transferred to the deferred annual bonus scheme.
4. In 2010 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 included amounts of £363,375 and £190,969 respectively which have been appointed to an employee benefit trust to be held for the benefit of their families.

Remuneration Report

Pensions

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

	Accrued pension at 27 Feb 10 ¹ £'000	Change in accrued pension during year ² £'000	Accrued pension at 26 Feb 11 ¹ £'000	Value of net change in accrual during year ^{2,3,4,6} £'000	Transfer value of accrued pension at 27 Feb 10 ³ £'000	Change in transfer value during year ^{3,4,5,6} £'000	Transfer value of accrued pension at 26 Feb 11 £'000
Alan White	266	-172	106	-2,654	4,064	-2,261	1,813

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. Change stated net of inflation.

3. Transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996.

4. Stated after deduction of the directors' contribution.

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, and also the effects of the change in the Fund's transfer value basis.

6. Over the year Mr White waived the majority of his unapproved accrued pension benefits under the terms set out in his unapproved arrangement.

Voluntary contributions paid by the directors and resulting benefits are not shown.

Contributions paid by the company into the group's defined contribution scheme during the year in respect of Dean Moore amounted to £16,858 (2010, £15,750)

Share options

Details of directors' share options are as follows:

	At 27 Feb 2010	Granted in year	Lapsed in year	Exercised in year	At 26 Feb 2011	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	8,413	-	-	-	8,413	186.0p		01/08/2014	31/01/2015
	8,413	-	-	-	8,413				

The market price of the company's shares at 26 February 2011 was 274.7p (2010, 215.6p) and the range during the year was 213.0p to 311.2p.

Remuneration Report

Deferred annual bonus share awards

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

	At 27 Feb 2010	Awarded in year	Lapsed in year	Exercised in year	At 26 Feb 2011	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	49,353	–	–	(49,353)	– ¹	230.0p	263.5p	29/05/2010	28/11/2010
	45,010	–	–	–	45,010	247.0p		29/05/2011	28/11/2011
	–	53,912	–	–	53,912	250.0p		28/05/2012	27/11/2012
	94,363	53,912	–	(49,353)	98,922				
Dean Moore	26,058	–	–	(26,058)	– ¹	230.0p	263.5p	29/05/2010	28/11/2010
	23,165	–	–	–	23,165	247.0p		29/05/2011	28/11/2011
	–	28,340	–	–	28,340	250.0p		28/05/2012	27/11/2012
	49,223	28,340	–	(26,058)	51,505				

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 £130,524 and £68,662 respectively.

Long term incentives

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

	At 27 Feb 2010	Awarded in year	Lapsed in year	Exercised in year	At 26 Feb 2011	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	150,560	–	–	(150,560)	– ^{1,2}	325.0p	263.5p	18/06/2010	17/12/2010
	2,180	–	–	(2,180)	– ^{1,2}	322.0p	245.0p	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
	–	204,136	–	–	204,136 ¹	247.0p		05/07/2013	04/01/2014
	642,631	204,136	–	(152,740)	694,027				
Dean Moore	57,664	–	–	(57,664)	– ^{1,2}	325.0p	263.5p	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
	–	114,928	–	–	114,928 ¹	247.0p		05/07/2013	04/01/2014
	314,857	114,928	–	(57,664)	372,121				

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 £402,066 and £151,944 respectively.

Remuneration Report

Value creation plan

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

	At 27 Feb 2010	Awarded in year	Lapsed in year	Exercised in year	At 26 Feb 2011	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.

Interests

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

	At 26 Feb 2011	At 27 Feb 2010
	Ordinary Shares of 11 ¹ / ₁₀ p each	Ordinary Shares of 11 ¹ / ₁₀ p 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	688,894	610,405
Dean Moore	202,670	204,135
Nigel Alliance OBE	24,658,313	24,658,313
Nigel Alliance OBE (non beneficial)	6,830,943	6,830,943
Ivan Fallon	10,000	–
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 26 Feb 2011	At 27 Feb 2010
N Brown Group plc No.2 Employee Share Ownership Trust	1,718,287	2,004,102

There have been no changes in the above interests of the directors between the year end and 30 April 2011.

Approval

This report was approved by the board of directors on 17 May 2011 and signed on its behalf by:

Ivan Fallon

Chairman of the remuneration committee

Independent Auditor's Report – Group Accounts

Independent Auditor's Report to the members of N Brown Group plc.

We have audited the financial statements of N Brown Group plc for the 52 weeks ended 26 February 2011 which comprise 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 30. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 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 and 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 financial statements give a true and fair view of the state of the group's affairs as at 26 February 2011 and of its profit for the 52 weeks then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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 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.

Damian Sanders
(Senior Statutory Auditor) for
and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor
Manchester, UK

17 May 2011

Consolidated Income Statement

For the 52 weeks ended 26 February 2011	Note	2011 £m	2010 £m
Revenue	3	718.8	690.0
Operating profit	5	102.6	97.6
Investment income	7	4.1	2.9
Finance costs	8	(8.5)	(7.4)
Profit before taxation and fair value adjustments to financial instruments		98.2	93.1
Fair value adjustments to financial instruments	18	(3.7)	(7.4)
Profit before taxation		94.5	85.7
Taxation	9	(22.8)	(23.2)
Profit attributable to equity holders of the parent		71.7	62.5
Adjusted earnings per share	11		
Basic		27.02p	24.77p
Diluted		26.98p	24.73p
Earnings per share	11		
Basic		26.04p	22.83p
Diluted		26.00p	22.79p

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 26 February 2011	Note	2011 £m	2010 £m
Profit for the period		71.7	62.5
Other items of comprehensive income			
Exchange differences on translation of foreign operations		(0.6)	(0.2)
Actuarial losses on defined benefit pension schemes	29	(2.3)	(1.2)
Tax relating to components of other comprehensive income	9	0.6	0.3
		(2.3)	(1.1)
Total comprehensive income for the period attributable to equity holders of the parent		69.4	61.4

Consolidated Balance Sheet

As at 26 February 2011	Note	2011 £m	2010 £m
Non-current assets			
Intangible assets	12	52.2	36.3
Property, plant & equipment	13	69.1	68.9
Retirement benefit surplus	29	3.3	–
Deferred tax assets	20	3.5	3.6
		128.1	108.8
Current assets			
Inventories	15	78.1	62.4
Trade and other receivables	16	490.8	461.3
Derivative financial instruments	18	–	2.3
Cash and cash equivalents	25	49.1	59.9
		618.0	585.9
Total assets		746.1	694.7
Current liabilities			
Bank loans and overdrafts	17	(40.0)	–
Trade and other payables	21	(114.5)	(105.4)
Derivative financial instruments	18	(1.4)	–
Current tax liability		(28.8)	(24.1)
		(184.7)	(129.5)
Net current assets		433.3	456.4
Non-current liabilities			
Bank loans	17	(190.0)	(230.0)
Retirement benefit obligation	29	–	(1.8)
Deferred tax liabilities	20	(11.0)	(14.4)
		(201.0)	(246.2)
Total liabilities		(385.7)	(375.7)
Net assets		360.4	319.0
Equity			
Share capital	22	31.0	30.8
Share premium account		11.0	11.0
Own shares	23	(1.2)	(0.4)
Foreign currency translation reserve		2.1	2.7
Retained earnings		317.5	274.9
Total equity		360.4	319.0

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 17 May 2011.

They were signed on its behalf by:

Alan White

Dean Moore

Directors

Consolidated Cash Flow Statement

For the 52 weeks ended 26 February 2011	Note	2011 £m	2010 £m
Net cash from operating activities		57.4	91.7
Investing activities			
Purchases of property, plant and equipment		(6.4)	(2.4)
Purchases of intangible assets		(15.7)	(10.8)
Acquisition of subsidiary	24	(10.3)	–
Proceeds on disposal of property, plant and equipment		–	1.9
Interest received		0.2	0.1
Net cash used in investing activities		(32.2)	(11.2)
Financing activities			
Interest paid		(4.2)	(4.0)
Dividends paid		(31.5)	(29.5)
Decrease in bank loans		–	(40.0)
Purchase of shares by ESOT		(0.8)	–
Proceeds on issue of shares held by ESOT		0.5	1.2
Net cash used in financing activities		(36.0)	(72.3)
Net (decrease)/increase in cash and cash equivalents		(10.8)	8.2
Cash and cash equivalents at beginning of period		59.9	51.7
Cash and cash equivalents at end of period	25	49.1	59.9

Reconciliation of Operating Profit to Net Cash from Operating Activities

For the 52 weeks ended 26 February 2011	2011 £m	2010 £m
Operating profit	102.6	97.6
Adjustments for:		
Depreciation of property, plant and equipment	7.8	7.0
Amortisation of intangible assets	6.9	7.3
Share option charge	2.1	1.9
Profit on disposal of property, plant and equipment	–	(0.4)
Operating cash flows before movements in working capital	119.4	113.4
(Increase)/decrease in inventories	(12.0)	7.4
Increase in trade and other receivables	(29.8)	(10.2)
Increase/(decrease) in trade and other payables	3.7	(0.5)
Pension obligation adjustment	(7.4)	(4.0)
Cash generated by operations	73.9	106.1
Taxation paid	(16.5)	(14.4)
Net cash from operating activities	57.4	91.7

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 26 February 2011						
Balance as at 27 February 2010	30.8	11.0	(0.4)	2.7	274.9	319.0
Profit for the period	–	–	–	–	71.7	71.7
Other items of comprehensive income for the period	–	–	–	(0.6)	(1.7)	(2.3)
Total comprehensive income for the period	–	–	–	(0.6)	70.0	69.4
Equity dividends	–	–	–	–	(31.5)	(31.5)
Issue of ordinary share capital	0.2	–	–	–	–	0.2
Purchase of own shares by ESOT	–	–	(1.0)	–	–	(1.0)
Issue of own shares by ESOT	–	–	0.2	–	–	0.2
Adjustment to equity for share payments	–	–	–	–	0.3	0.3
Share option charge	–	–	–	–	2.1	2.1
Tax on items recognised directly in equity	–	–	–	–	1.7	1.7
Balance at 26 February 2011	31.0	11.0	(1.2)	2.1	317.5	360.4
Changes in equity for the 52 weeks ended 27 February 2010						
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	–	–	–	(0.2)	(0.9)	(1.1)
Total comprehensive income for the period	–	–	–	(0.2)	61.6	61.4
Equity dividends	–	–	–	–	(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
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

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 18 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 26 February 2011 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

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 3 (revised 2008) 'Business Combinations'. Following an amendment to IFRS 3, all acquisition costs are charged to the income statement as incurred for all business combinations acquired after 1 July 2009.

IFRIC 17 'Distributions of Non-cash Assets to Owners'. The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled.

The following amendments were made as part of Improvements to IFRSs (2009):

Amendments to IFRS 2 'Share-based Payment'. IFRS 2 has been amended following the issue of IFRS 3 (2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not

within the scope of IFRS 2. In addition, the amendments to IFRS 2 clarify the accounting for share-based payment transactions between group entities.

Amendments to IAS 17 'Leases'. IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17.

Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'. IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard.

Standards in issue not yet effective

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

- IFRS 9: Financial Instruments
- IAS 24 (amended): Related Party Disclosures
- IAS 32 (amended): Classification of Rights Issues
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 (amended): Prepayments of a Minimum Funding Requirement
- IFRS 7 (amended): Disclosure – Transfers of Financial Assets
- IAS 12 (amended): Deferred Tax: Recovery of Underlying Assets
- Improvements to IFRSs (May 2010)

The adoption of IFRS 9, which the group plans to adopt for the financial year commencing March 2013, will impact both the measurement and disclosures of Financial Instruments. The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the group in future periods.

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.

Accounting period

Throughout the accounts, the directors report and financial review, reference to 2011 means at 26 February 2011 or the 52 weeks then ended; reference to 2010 means at 27 February 2010 or the 52 weeks then ended.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the 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.

Notes to the Group Accounts

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. 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. Acquisition costs are expensed as incurred.

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 and it is probable that the economic benefits associated with the transaction will flow to the entity. Sales of rendering

of services include interest, administrative charges and arrangement fees. 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. Such revenues are recognised only when collectability is reasonably assured. 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 asset 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,

Notes to the Group Accounts

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 based on specific customer patterns of behaviour which may be affected by external economic conditions. 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.

Notes to the Group Accounts

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 products, 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. Any asset resulting from this calculation is restricted to the past service cost plus the present value of

available refunds and reductions in future contributions.

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,

Notes to the Group Accounts

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 trading risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate might 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. The £200m securitisation facility has recently been renewed for a further 5 years until 2016 and it is the group's intention to renew the remaining loan facilities that expire in January 2012 for a further 5 years. 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	2011 £m	2010 £m
An analysis of the group's revenue is as follows:		
Sale of goods	523.7	499.6
Rendering of services	195.1	190.4
Revenue	718.8	690.0
Investment income	4.1	2.9
Total revenue	722.9	692.9

Notes to the Group Accounts

4 Business segments	2011 £m	2010 £m
Revenue		
Home Shopping	718.8	690.0
Operating profit		
Segment result & operating profit – Home Shopping	102.6	97.6
Fair value adjustments to financial instruments	(3.7)	(7.4)
Investment income	4.1	2.9
Finance costs	(8.5)	(7.4)
Profit before taxation	94.5	85.7
Taxation	(22.8)	(23.2)
Profit after tax	71.7	62.5

The group has one business segment and one significant 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 (2010, £nil).

Other information

	2011 £m	2010 £m
Capital additions	30.8	13.2
Depreciation and amortisation	14.7	14.3

Balance sheet

Total segment assets	742.6	691.1
Total segment liabilities	(345.9)	(337.2)
Segment net assets	396.7	353.9
Unallocated assets	3.5	3.6
Unallocated liabilities	(39.8)	(38.5)
Consolidated net assets	360.4	319.0

Notes to the Group Accounts

5 Profit for the period	2011 £m	2010 £m
Continuing operations		
Revenue	718.8	690.0
Cost of sales	(331.8)	(328.0)
Gross profit	387.0	362.0
Distribution costs	(62.9)	(61.9)
Sales and administration costs	(221.5)	(202.5)
Operating profit	102.6	97.6

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

	2011 £m	2010 £m
Net foreign exchange gains	(3.0)	(2.5)
Depreciation of property, plant and equipment	7.8	7.0
Amortisation of intangible assets	6.9	7.3
Cost of inventories recognised as expense	216.9	208.5
Staff costs	72.9	72.3
Auditor's 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 £0.8m (2010, £0.9m).

A more detailed analysis of auditor's remuneration is provided below:

	2011 £m	2010 £m
Audit fees:		
The audit of the company's subsidiaries pursuant to legislation	0.2	0.2
Other services:		
Tax services	0.8	0.8
Corporate Finance services	-	0.1
	0.8	0.9

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 (2010, £10,000).

In addition to the amounts shown above, the auditors received fees of £4,000 (2010, £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	2011	2010
The average monthly number of employees (including executive directors) was:		
Distribution	1,046	1,092
Sales and administration	2,210	2,097
	3,256	3,189
Their aggregate remuneration comprised		
Wages and salaries	63.4	61.4
Social security costs	6.9	6.5
Other pension costs (see note 29)	0.5	2.5
Share options costs (see note 28)	2.1	1.9
	72.9	72.3

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

Notes to the Group Accounts

	2011 £m	2010 £m
7 Investment income		
Interest on bank deposits	0.2	0.1
Expected return on pension assets (see note 29)	3.9	2.8
	4.1	2.9
8 Finance costs		
Interest on bank overdrafts and loans	4.6	4.0
Interest on pension scheme liabilities (see note 29)	3.9	3.4
	8.5	7.4
9 Tax		
Current tax – charge for the period	25.3	23.9
Current tax – adjustment in respect of previous periods	(3.2)	1.9
Deferred tax (see note 20)	1.4	1.1
Deferred tax – adjustment in respect of previous periods (see note 20)	(0.7)	(3.7)
	22.8	23.2

UK Corporation tax is calculated at 28.0% (2010, 28.0%) 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:

	2011 £m	2010 £m
Profit before tax:	94.5	85.7
Tax at the UK corporation tax rate of 28.0% (2010, 28.0%)	26.4	24.0
Effect of change in deferred tax rate	(0.3)	–
Tax effect of expenses that are not deductible in determining taxable profit	1.1	1.6
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.5)	(0.6)
Tax effect of adjustments in respect of previous periods	(3.9)	(1.8)
Tax expense for the period	22.8	23.2

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

	2011 £m	2010 £m
Deferred tax – retirement benefit obligations	(0.6)	(0.3)
Tax credit in the statement of comprehensive income	(0.6)	(0.3)
	2011 £m	2010 £m
Current tax – share based payments	(0.9)	(1.1)
Deferred tax – share based payments	(0.8)	0.1
Tax credit in the statement of changes in equity	(1.7)	(1.0)

On 23 March 2011 the government announced that it intends to further reduce the rate of corporation tax to 26.0% with effect from 1 April 2011 by 1.0% per annum by 1 April 2014. The impact of this post-balance sheet event is not reflected in the tax balances reported above.

Notes to the Group Accounts

10 Dividends	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 27 February 2010 of 6.41p (2009, 6.41p) per share	17.7	17.5
Interim dividend for the 52 weeks ended 26 February 2011 of 5.04p (2010, 4.38p) per share	13.8	12.0
	31.5	29.5
Proposed final dividend for the 52 weeks ended 26 February 2011 of 7.37p (2010, 6.41p) per share	20.6	17.7

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	2011 £m	2010 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	71.7	62.5
	2011 Number	2010 Number
Number of shares ('000s)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	275,323	273,772
Effect of dilutive potential ordinary shares:		
Share options	466	435
Weighted average number of ordinary shares for the purposes of diluted earnings per share	275,789	274,207
	2011 £m	2010 £m
Adjusted earnings		
Net profit attributable to equity holders of the parent	71.7	62.5
Fair value adjustment to financial instruments (net of tax)	2.7	5.3
Adjusted earnings for the purposes of adjusted earnings per share	74.4	67.8

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

Notes to the Group Accounts

12 Intangible assets	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
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
Acquired with subsidiary	7.1	–	–	7.1
Additions	0.8	14.9	–	15.7
At 26 February 2011	16.8	109.0	1.9	127.7
Amortisation				
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
Charge for the period	–	6.8	0.1	6.9
At 26 February 2011	–	73.6	1.9	75.5
Carrying amount				
At 26 February 2011	16.8	35.4	–	52.2
At 27 February 2010	8.9	27.3	0.1	36.3
At 28 February 2009	7.9	24.5	0.4	32.8

Assets in the course of construction included in intangible assets at the year end total £16.0m (2010 £9.8m). No depreciation is charged on these assets.

All software additions relate to internal development. The brand additions of £7.9m relate to the acquisition of Figleaves and the Slimma brand names.

Amortisation of intangible assets is split equally between cost of sales and administration costs and is 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, High and Mighty and Slimma and Figleaves 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 6.3% (2010, 6.9%).

Notes to the Group Accounts

13 Property, plant and equipment	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
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
Additions	–	6.4	6.4
Acquired with subsidiary	–	1.6	1.6
At 26 February 2011	46.2	99.5	145.7
Accumulated depreciation and impairment			
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
Charge for the period	1.0	6.8	7.8
At 26 February 2011	8.5	68.1	76.6
Carrying amount			
At 26 February 2011	37.7	31.4	69.1
At 27 February 2010	38.7	30.2	68.9
At 28 February 2009	41.1	33.9	75.0

Assets in the course of construction included in property, plant and equipment at the year end date total £1.7m (2010, £2.0m), no depreciation has been charged on these assets.

At 26 February 2011, the group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2010, £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. Acquisitions in the year are disclosed in note 24.

15 Inventories	2011 £m	2010 £m
Finished goods	73.2	58.5
Sundry stocks	4.9	3.9
	78.1	62.4

Notes to the Group Accounts

16 Trade and other receivables	2011 £m	2010 £m
Amount receivable for the sale of goods and services	519.6	494.0
Allowance for doubtful debts	(45.1)	(47.0)
	474.5	447.0
Other debtors and prepayments	16.3	14.3
	490.8	461.3

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 241 days (2010, 236 days). Interest is charged at 39.9% (2010, 39.9%) 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 £59.9m at 26 February 2011 (2010, £59.2m).

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	2011 £m	2010 £m
Current	381.4	362.2
0 – 28 days	69.3	62.7
29 – 56 days	25.5	26.7
57 – 84 days	16.0	16.1
85 – 112 days	13.4	13.3
Over 112 days	14.0	13.0
Total	519.6	494.0

Movement in the allowance for doubtful debts	2011 £m	2010 £m
Balance at the beginning of the period	47.0	41.1
Amounts charged net to the income statement	53.1	62.2
Net amounts written off	(55.0)	(56.3)
Balance at the end of the period	45.1	47.0

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.5 million (2010, 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.

Notes to the Group Accounts

17 Bank overdraft and loans	2011 £m	2010 £m
Bank loans and overdrafts	40.0	–
Bank loans	190.0	230.0
	230.0	230.0
The borrowings are repayable as follows:		
Within one year	40.0	–
In the second year	190.0	40.0
In the third to fifth year	–	190.0
Amounts due for settlement after 12 months	190.0	230.0
All borrowings are held in sterling		
The weighted average interest rates paid were as follows:		
	2011 %	2010 %
Bank overdrafts	2.5	1.5
Bank loans	0.7	0.7

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 (2010, £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 which was renegotiated in March 2011 has a current limit of £200m and finance costs are linked to US commercial paper rates and is committed until March 2016.

In addition the group has unsecured bank loans of £40m (2010, £40m) drawn down under a medium term bank revolving credit facility of £100 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 26 February 2011 the estimated future interest cost per annum until maturity would be £1.6m (2010 £1.6m).

Financial liabilities other than financial instruments include bank loans and overdrafts and trade and other payables. Other than as disclosed above, all are due within one year. 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:

	2011 £m	2010 £m
On demand or within one year	41.6	1.6
In the second year	191.3	1.6
In the third to fifth year	1.3	230.1
	234.2	233.3

At 26 February 2011, the group had available £90m (2010, £90m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Financial Review on page 15 summarises 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.

Notes to the Group Accounts

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:

	2011 £m	2010 £m
Notional amount – Sterling contract value	45.1	37.3
Fair value of (liability)/asset recognised	(1.4)	2.3

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a charge of £3.7m (2010, £7.4m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2010, same).

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or 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 (2010, same).

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 25 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:

	2011 £m	2010 £m
Debt	230.0	230.0
Cash and cash equivalents	(49.1)	(59.9)
Net Debt	180.9	170.1
Equity	360.4	319.0
Gearing ratio	50%	53%

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.

Notes to the Group Accounts

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:

	2011 £m	2010 £m
Less than 6 months	22.4	19.6
6 to 12 months	17.6	17.7
12 to 18 months	5.1	–
	45.1	37.3

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.49 and 1.60.

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

	Liabilities		Assets	
	2011 £m	2010 £m	2011 £m	2010 £m
Euro	2.0	1.5	10.5	13.9
US dollar	0.6	1.4	0.8	–

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	
	2011 £m	2010 £m	2011 £m	2010 £m
Income statement				
Sterling strengthens by 10%	1.1	1.3	–	(0.2)
Sterling weakens by 10%	(0.7)	(1.2)	–	0.1

Notes to the Group Accounts

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 26 February 2011 would decrease by £1.1m (2010, £0.8m).

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.

Notes to the Group Accounts

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 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)
Acquired with subsidiary	-	-	2.6	-	-	2.6
Credit/(charge) to income	0.7	0.7	(0.1)	(2.1)	0.1	(0.7)
Credit to equity	0.8	-	-	0.6	-	1.4
At 26 February 2011	3.3	-	(7.5)	(0.9)	(2.4)	(7.5)

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:

	2011 £m	2010 £m
Deferred tax assets	3.5	3.6
Deferred tax liabilities	(11.0)	(14.4)
	(7.5)	(10.8)

At the balance sheet date, the group has unused tax losses of £0.1m (2010, £0.1m) and capital losses of £4.4m (2010, £4.4m) 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

	2011 £m	2010 £m
Trade payables	59.1	48.7
Other taxes and social security	22.5	23.8
Other creditors	3.6	0.7
Accruals and deferred income	29.3	32.2
	114.5	105.4

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2010, 38 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.

Notes to the Group Accounts

22 Share capital	2011 Number	2010 Number	2011 £m	2010 £m
Authorised				
Ordinary shares of 11 ¹ / ₁₆ p each	352,857,142	352,857,142	39.0	39.0
Allotted, called-up and fully paid				
Ordinary shares of 11 ¹ / ₁₆ p each				
At 27 February 2010	278,404,714	274,104,714	30.8	30.3
Ordinary shares issued	2,024,740	4,300,000	0.2	0.5
At 26 February 2011	280,429,454	278,404,714	31.0	30.8

During the year 2,024,740 (2010, 4,300,000) ordinary shares were issued to the N Brown Group plc Employee Share Ownership Trusts for £223,784 (2010, £475,263). The company has one class of ordinary share which carry no right to fixed income.

23 Own shares	2011 £m	2010 £m
Balance at 27 February 2010	0.4	0.2
Additions	1.0	0.5
Issue of own shares on exercise of share options	(0.2)	(0.3)
Balance at 26 February 2011	1.2	0.4

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 28).

During the year the employee trusts subscribed for 2,024,740 (2010, 4,300,000) shares in N Brown Group plc for a consideration of £223,784 (2010, £475,263). In addition, the trusts purchased in the market 309,440 (2010, nil) shares for a consideration of £805,326 (2010, nil).

At 26 February 2011 the employee trusts held 4,693,021 shares in the company (2010, 3,737,682).

24 Acquisitions of subsidiaries

In June 2010 the group acquired the entire share capital of Figleaves Global Trading Limited for a total cash consideration of £11.9m. Its principal activity is that of an online retailer.

The fair value of net assets acquired are as follows:

	£m
Plant and equipment	1.6
Inventories	3.7
Trade and other receivables	0.5
Cash and cash equivalents	1.6
Trade and other payables	(5.2)
Deferred tax asset	2.6
Net assets acquired	4.8
Intangible brand asset arising on acquisition	7.1
Total consideration	11.9
Satisfied by:	
Cash	11.9
Cash acquired with business	(1.6)
Net cash outflow	10.3

Fair value adjustments included above relate to the separate identification of brand intangibles (£7.1m) and recognition of deferred tax assets (£2.6m). Revenues and loss before tax of £16.3m and £0.9m respectively were recognised in the period since acquisition.

Notes to the Group Accounts

25 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:

	2011 £m	2010 £m
Sterling	46.5	55.5
Euro	1.8	4.4
US Dollar	0.8	–
	49.1	59.9

26 Contingent liabilities

Parent company borrowings which at 26 February 2011 amounted to £15.2m (2010, £2.0m) have been guaranteed by certain subsidiary undertakings.

27 Operating lease arrangements

	2011 £m	2010 £m
Minimum lease payments under operating leases recognised as an expense for the period	5.1	4.6

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:

	2011 £m	2010 £m
Within one year	0.5	0.3
In the second to fifth years inclusive	13.7	8.5
After five years	8.9	13.2
	23.1	22.0

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

Notes to the Group Accounts

28 Equity settled share based payments

The remuneration report on pages 28 to 38 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 2011	Number of shares 2010
Option scheme				
2000 Savings related scheme	181 – 290	August 2011 – February 2016	1,620,210	1,680,424
1990 Executive scheme	284	May 2003 – May 2010	–	51,800
2000 Executive scheme	106 – 341	June 2007 – May 2020	1,873,864	1,583,007
Unapproved executive scheme	211 – 341	May 2009 – May 2020	821,539	629,115
Value Creation Plan	–	February 2014 – February 2019	3,100,000	3,100,000
Long-term incentive scheme awards				
June 2007	–	June 2010 – December 2010	–	648,043
August 2007	–	August 2010 – February 2011	–	38,480
July 2008	–	July 2011 – January 2012	1,550,452	1,595,982
May 2009	–	May 2012 – November 2012	1,266,996	1,301,930
July 2010	–	July 2013 – January 2014	1,294,758	–
Deferred annual bonus scheme awards				
May 2008	–	May 2010 – November 2010	–	266,721
May 2009	–	May 2011 – November 2011	252,348	260,764
May 2010	–	May 2012 – November 2012	323,450	–

Notes to the Group Accounts

28 Equity settled share based payments continued

Movements in share options are summarised as follows:

	2011	Weighted average exercise price £	Number of share options	2010	Weighted average exercise price £
Outstanding at the beginning of the period	3,944,346	2.13	3,863,445		1.91
Granted during the period	1,064,701	2.40	1,362,452		2.14
Forfeited during the period	(297,140)	2.43	(356,504)		2.01
Exercised during the period	(396,294)	1.37	(925,047)		1.27
Outstanding at the end of the period	4,315,613	2.24	3,944,346		2.13
Exercisable at the end of the period	493,857	1.86	696,835		1.87

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 260 pence (2010, 232 pence). The options outstanding at 26 February 2011 had a weighted average remaining contractual life of 5.8 years (2010, 5.6 years). The aggregate estimated fair values of options granted in the period is £629,000 (2010, £784,000).

Movements in management share awards are summarised as follows:

	2011	Weighted average exercise price £	Number of share awards	2010	Weighted average exercise price £
Outstanding at the beginning of the period	7,211,920	–	6,921,510		–
Granted during the period	1,618,208	–	1,567,349		–
Forfeited during the period	(56,340)	–	(109,010)		–
Exercised during the period	(985,784)	–	(1,167,929)		–
Outstanding at the end of the period	7,788,004	–	7,211,920		–
Exercisable at the end of the period	–	–	–		–

The awards outstanding at 26 February 2011 had a weighted average remaining contractual life of 4.2 years (2010, 4.9 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:

	2011	2010
Weighted average share price at date of grant (pence)	252	236
Weighted average exercise price (pence)	95	99
Expected volatility (%)	38.3	35.1
Expected life (years)	2.5 – 5.5	2.5 – 5.5
Risk-free rate (%)	1.5	2.6
Dividend yield (%)	4.3	4.2

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 management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The group recognised total expenses of £2.1m and £1.9m related to equity-settled share based payment transactions in 2011 and 2010 respectively.

Notes to the Group Accounts

29 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 £1.8m (2010, £0.8m) represents contributions payable to the schemes by the group at rates specified in the rules of the plans. As at 26 February 2011, contributions of £0.2m (2010, £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 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:

	2011	2010
Discount rate	5.6%	5.9%
Expected return on scheme assets	5.7%	5.9%
Expected rate of salary increase	4.8%	4.8%
Future pension increases	2.4%	2.4%
Inflation – Retail Price Index	3.8%	3.8%
Inflation – Consumer Price Index	2.8%	n/a
Life expectancy at age 65 (years)		
Pensioner aged 65	23.8	21.3
Non-pensioner aged 45	26.8	23.2
	2011	2010
Amounts recognised in income in respect of these defined benefit schemes are as follows:	£m	£m
Current service cost	1.6	1.7
Interest cost	3.9	3.4
Expected return on scheme assets	(3.9)	(2.8)
Gains on settlements	(2.9)	–
	(1.3)	2.3

Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial gains since transition to IFRS were £6.1m (2010, £8.4m).

The actual return on scheme assets was a gain of £7.3m (2010, gain of £13.4m).

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

Notes to the Group Accounts

29 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:

	2011 £m	2010 £m
Present value of defined benefit obligations	(68.5)	(66.0)
Fair value of scheme assets	71.8	64.2
Surplus/(deficit) in the scheme and asset/(liability) recognised in the balance sheet	3.3	(1.8)

Movements in the present value of defined benefit obligations were as follows:

	2011 £m	2010 £m
At 27 February 2010	66.0	50.8
Service cost	1.6	1.7
Interest cost	3.9	3.4
Actuarial losses	5.7	11.8
Liabilities extinguished on settlements	(6.2)	–
Benefits paid	(2.5)	(1.7)
At 26 February 2011	68.5	66.0

Movements in the fair value of the scheme assets were as follows:

	2011 £m	2010 £m
At 27 February 2010	64.2	46.8
Expected return on scheme assets	3.9	2.8
Actuarial gains	3.4	10.6
Assets distributed on settlements	(3.3)	–
Contributions from sponsoring companies	6.1	5.7
Benefits paid	(2.5)	(1.7)
At 26 February 2011	71.8	64.2

Notes to the Group Accounts

29 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	
	2011 %	2010 %	2011 £m	2010 £m
Equities	6.8	7.1	38.1	32.7
Bonds	4.5	4.7	33.7	31.5
	5.7	5.9	71.8	64.2

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:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligations	(68.5)	(66.0)	(50.8)	(56.8)	(63.5)
Fair value of scheme assets	71.8	64.2	46.8	51.0	35.8
Surplus/(deficit) in the scheme	3.3	(1.8)	(4.0)	(5.8)	(27.7)
Experience adjustments on scheme liabilities Amount (£)	–	2.2	–	–	1.2
Percentage of scheme liabilities (%)	0%	3%	0%	0%	2%
Difference between expected and actual return on scheme assets: Amount (£)	3.4	10.6	(11.7)	(3.5)	1.0
Percentage of scheme assets (%)	5%	16%	(25%)	(7%)	3%

The estimated amounts of contributions expected to be paid to the scheme during the 52 week period ending 25 February 2012 is £3.4m.

30 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 Auditor's 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 26 February 2011 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 auditor

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 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 26 February 2011;
- 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.

Damian Sanders (Senior Statutory Auditor) for and on behalf of Deloitte LLP

Chartered Accountants and
Statutory Auditor
Manchester, UK

17 May 2011

Company Balance Sheet

As at 26 February 2011	Note	2011 £m	2010 £m
Fixed assets			
Investments	3	267.9	267.9
		267.9	267.9
Current assets			
Debtors	4	103.4	103.3
		103.4	103.3
Creditors			
Amounts falling due within one year	5	(270.0)	(233.0)
Net current liabilities		(166.6)	(129.7)
Total assets less current liabilities		101.3	138.2
Non current liabilities			
Bank loans	6	–	(40.0)
Net assets		101.3	98.2
Capital and reserves			
Called-up share capital	7	31.0	30.8
Share premium account	8	11.0	11.0
Profit and loss account	8	59.3	56.4
Equity shareholders' funds		101.3	98.2

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 17 May 2011.

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 accruals 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 26 February 2011 of £34.8m (2010, profit £31.1m).

The non executive directors' remuneration was £207,000 (2010, £182,000) and six non executive directors were remunerated (2010, six). The executive directors were remunerated by a subsidiary company in both years.

The auditor's remuneration for audit services to the company of £10,000 (2010, £10,000) was borne by subsidiary undertakings.

3 Fixed asset investment

£m

Cost and net book value

At 26 February 2011 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. All are held indirectly. 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 retailer	England	100
Oxendale & Co. Limited	Direct home shopping retailer	Republic of Ireland	100
J D W Finance Limited	Financing and ancillary services	England	100
N B Insurance Guernsey Limited	Insurance services	Guernsey	100
Gray & Osbourn Limited	Direct home shopping retailer	England	100
Figleaves Global Trading Limited	Direct home shopping retailer	England	100

Notes to the Company Accounts

4 Debtors	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	103.3	103.1
Prepayments and accrued income	0.1	0.2
	103.4	103.3
	2011 £m	2010 £m
5 Creditors		
Amounts falling due within one year:		
Bank loans and overdrafts	55.2	2.0
Trade creditors	1.0	0.7
Amounts owed to group undertakings	213.6	229.1
Accruals and deferred income	0.2	1.2
	270.0	233.0
	2011 £m	2010 £m
6 Bank loans		
Bank overdrafts	15.2	2.0
Bank loans	40.0	40.0
	55.2	42.0
The borrowings are repayable as follows:		
On demand within one year	55.2	2.0
In the second year	–	40.0
In the third to fifth year	–	–
	55.2	42.0
Less: amounts due for settlement within 12 months (shown under current liabilities)	(55.2)	(2.0)
Amounts due for settlement after 12 months	–	40.0
<p>The company has unsecured bank loans of £40m (2010, £40m) drawn down under a medium term bank revolving credit facility committed until January 2012.</p> <p>At 26 February 2011, the company had available £80m (2010, £80m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.</p> <p>The weighted average interest rate paid were as follows:</p>		
	2011 %	2010 %
Bank overdrafts	2.5	1.5
Bank loans	1.0	1.2

Notes to the Company Accounts

7 Share capital	2011 Number	2010 Number	2011 £m	2010 £m
Authorised				
Ordinary shares of 11 ¹ / ₁₉ p each	352,857,142	352,857,142	39.0	39.0
Allotted, called-up and fully paid				
Ordinary shares of 11 ¹ / ₁₉ p each				
At 27 February 2010	278,404,714	274,104,714	30.8	30.3
Ordinary shares issued	2,024,740	4,300,000	0.2	0.5
At 26 February 2011	280,429,454	278,404,714	31.0	30.8

During the year 2,024,740 (2010, 4,300,000) ordinary shares were issued to the N Brown Group Employee Share Ownership Trusts for £223,784 (2010, £475,263). 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 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
Balance at 27 February 2010	30.8	11.0	56.4	98.2
Dividends paid	–	–	(31.9)	(31.9)
Profit for the financial period	–	–	34.8	34.8
Increase in share capital	0.2	–	–	0.2
At 26 February 2011	31.0	11.0	59.3	101.3

9 Guarantees

Parent company borrowings which at 26 February 2011 amounted to £15.2m (2010, £2.0m) 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

2010	12 October	Announcement of interim results
	10 December	Closing of register for interim dividend
2011	7 January	Payment of interim dividend
	26 February	Financial year-end
	10 May	Preliminary announcement of annual results
	31 May	Publication of 2011 annual report and accounts
	1 July	Closing of register for final dividend
	5 July	Annual general meeting
	29 July	Payment of final dividend

Registered Office

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Manchester
M60 6ES
Registered No. 814103
Telephone 0161 236 8256

Registrars

Capital IRG plc
The Registry
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Beckenham
Kent BR3 4TU
Telephone 0871 664 0300
(Calls cost 10 pence per minute plus network extras)

Auditors

Deloitte LLP
P O Box 500
2 Hardman Street
Manchester
M60 2AT

Bankers

HSBC Bank plc
The Royal Bank of Scotland plc

Solicitors

Pinsent Masons LLP
Eversheds LLP
Addleshaw Goddard 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.

For more information and latest news on the group, visit www.nbrown.co.uk

Our brands

Young (30-45)

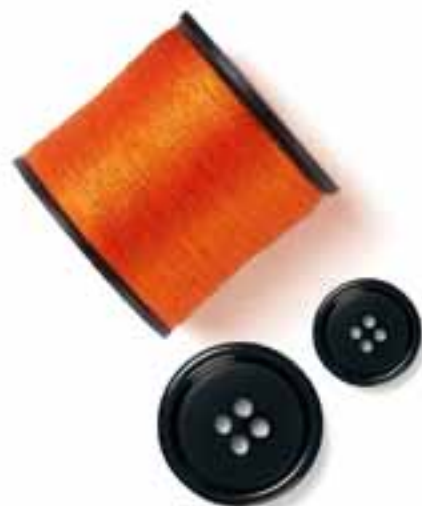
fashionworld.co.uk
simplybe.co.uk
simplyyours.co.uk
jacamo.co.uk
figleaves.com
classicconfidence.co.uk
newnow.co.uk
vivaladiva.com
thebrilliantgiftshop.co.uk
naturallyclose.co.uk

Midlife (45-65)

jdwilliams.co.uk
ambrosewilson.com
marisota.co.uk
oxendales.com
oxendales.ie
fiftyplus.co.uk
premierman.com
shoetailor.com
shapelyfigures.com
classicdetail.co.uk
homeshoppingdirect.com
inspirationalhome.co.uk
discountworld.com
houseofbath.co.uk
crazyclearance.co.uk
homeessentials.co.uk
williamsandbrown.co.uk
thatsmystyle.co.uk
fabrici.com
highandmighty.co.uk

Elderly (65+)

julipa.com
heathervalley.com
specialcollection.com
nightingales.com
grayandosbourn.co.uk



**Griffin House
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