

FREEDOM
TO *Shop*

Multi-channel choice

Sunny sales in a stormy climate

Unstoppable in America

Online expansion is up, up and away

We're on a high street near you!

Our Websites

Young (30-45)

fashionworld.co.uk
simplybe.co.uk
simplybe.com
simplybe.de
simplybe.eu
simplyyours.co.uk
jacamo.co.uk
figleaves.com
classicconfidence.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
discountworld.com
houseofbath.co.uk
crazyclearance.co.uk
feelgoodessentials.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



FASHION'S AT YOUR FINGERTIPS

Introduction

02	Financial Highlights 2012
03	Five Year History
04	Designs on the High Street
06	We're Breaking Boundaries
08	Chairman's Statement
10	Chief Executive's Review
14	Financial Review
16	Directors and Officers
18	Directors' Report
24	Corporate Governance Report
29	Remuneration Report
39	Independent Auditor's Report – Group Accounts
40	Consolidated Income Statement
40	Consolidated Statement of Comprehensive Income
41	Consolidated Balance Sheet
42	Consolidated Cash Flow Statement
42	Reconciliation of Operating Profit to Net Cash from Operating Activities
43	Consolidated Statement of Changes in Equity
44	Notes to the Group Accounts
68	Independent Auditor's Report – Company Accounts
69	Company Balance Sheet
70	Notes to the Company Accounts
IBC	Shareholder Information

Technology is a wonderful thing, as our 2012 results prove. And even though, like most other retailers, gross margins have dipped, our core catalogue business remains strong and we're one of the few with a higher turnover. We have delivered like-for-like sales growth.

With new services such as nominated day delivery, and technology developments, including mobile-optimised checkouts, it's no wonder 50% of our business is now online to the tune of a £377million online turnover – with growth across all brands.

Exciting things are happening on the high street too. City analysts and retail and fashion journalists have praised our new Simply Be stores, and four more High & Mighty stores have hit the high street. Simply Be is doing us proud in America too. Our US business model remains promising with good margins and 74,000 new customers joined us last year.

Looking ahead, we'll continue to focus on trading in tough economic conditions. We'll improve the value for our customers, carry on developing and differentiating our brands, and building on the success of our celebrity endorsements. We'll also be strengthening our e-commerce and online capabilities, using technology to create new ways to keep fashion at people's fingertips.

FINANCIAL HIGHLIGHTS 2012

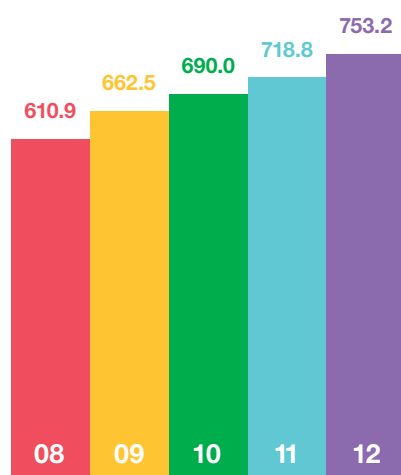
Financial Highlights	2012	2011
Revenue	£753.2m	£718.8m
Operating profit	£102.0m	£102.6m
Adjusted profit before taxation*	£95.6m	£98.2m
Profit before taxation	£96.9m	£94.5m
Adjusted earnings per share**	28.91p	27.02p
Earnings per share	29.28p	26.04p
Dividends per share	13.03p	12.41p
Net assets	£402.3m	£360.4m
Net asset value per share	141.9p	128.5p
Gearing	48%	50%

*Excluding fair value adjustments to financial instruments.

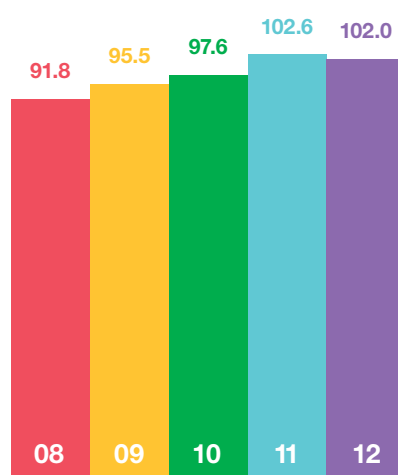
**See note 11 on page 52.

Five Year History

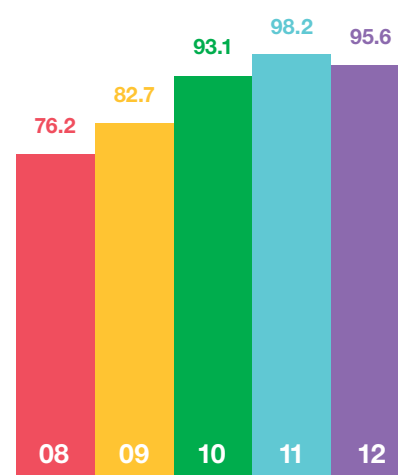
Revenue –
Continuing operations (£m)



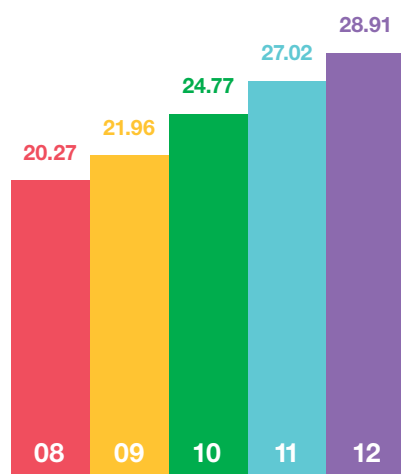
Operating profit –
Continuing operations (£m)



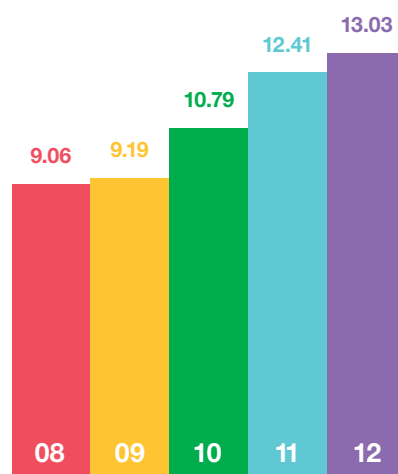
Pre-tax profit* –
Continuing operations (£m)



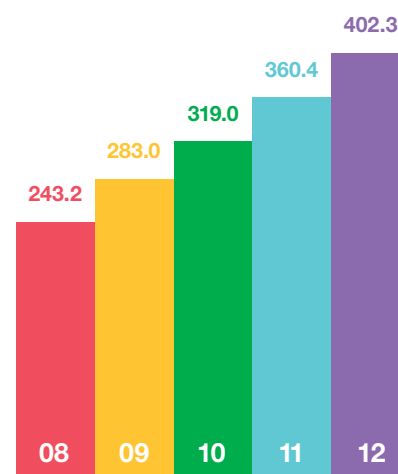
Adjusted earnings per share**
– Continuing operations (p)



Dividends per share (p)



Net assets (£m)



*Excluding fair value adjustments to financial instruments.

**See note 11 on page 52.

DESIGNS ON THE HIGH STREET

We are a multi-channel business. We're number one in the online and mail order market in our sector, and we want to see similar success out there on the high street, where a large proportion of the plus-size market still shops.

But our sights are set higher than just 'more stores'. We're focused on using the high street as another strand in our multi-channel offer, and an extra boost for our overall brand strength.

So much in store

It's not just city analysts, and fashion and retail journalists that love our new Simply Be stores, launched last year in Liverpool

and Bury. Customers do too. Remember store assistants? We now have style advisors, highly trained to advise on our ranges and on fit. And remember cubicles with a curtain? Our changing booths are more thoughtfully and spaciouly designed with an anteroom separate from the rest of the store.

Perhaps the most exciting part of our stores, technologically speaking, are the Magic Mirrors. These fantastic innovations mean customers can get a second (or third, fourth or fifth) opinion on their outfits by sending photos out to social media sites including Facebook and Twitter.





Best of both worlds

Having great reasons to shop both online and in-stores means customers are doing just that – shopping in both places rather than one or the other, as well as making Simply Be known to greater numbers of high street shoppers.

We're rolling out a further five Simply Be stores in 2012 in Doncaster, Teesside, the Metro Centre in Gateshead, Leicester, plus Manchester Arndale. Once we've opened

these stores, we'll look at the potential for more. High & Mighty stores are also multiplying, with another four stores to add to the 18 we already have.

Star turns

Big names are still big business for us. Our new Grazia range and a collection designed by the celebrated Zandra Rhodes are performing well. Freddie Flintoff has designed a range for Jacamo, and the Gok Wan lingerie range continues to be a tremendous success.

Claire Sweeney is our ambassador for Fashion World and Arlene Phillips for Marisota. Endorsements like these increase our brands' credibility, generate awareness and help position us where we want to be: at the front of people's minds today, and tomorrow too.



WE'RE BREAKING BOUNDARIES

Our online business has grown from 45% last year to over 50%, which adds up to a £377 million online turnover. This growth has been all across the board. Our younger titles have a growth curve that level out at 67% online, whereas our mid-life and older titles are growing and have reached 41%.

All our brands now have mobile-optimised checkouts, with the added convenience of nominated and next-day delivery. This is especially handy for Christmas shopping, where customers could order up to 5pm on December 23 for a Christmas Eve delivery. And new and improved 'My Account' service facility makes

it easier for customers to manage their accounts online, all complemented by the convenience of our flexible payment plans.

A new role for catalogues

With so much online growth, we can see our catalogues taking on more of a browsing role in the future. So that when customers see something they like, they can go online to see the item in more detail to make a more informed choice – for example, more great quality images, catwalk shows, detailed descriptions and customer reviews (already active on our main sites).

Our American dream

Looking to America, we're happy to say that things stateside are looking encouraging, with great margins and a return rate at sub 30%. Our Simply Be customers are full of praise for the ranges and our offer in general. With 74,000 new customers last year, we can say, with great pride, that we've found our niche in America.

A first for Fagleaves

We're very proud to say that Fagleaves generated its very first profit since it started trading. Onwards and upwards.

*Customers
Love Our
Services*

FREEDOM
TO *Shop*

PROFITS AND PROGRESS IN TOUGH TIMES

We are pleased to have delivered a solid financial outcome for the 53 weeks ended 3 March 2012, especially in light of the difficult economic conditions for our customers. For the first time online sales have reached 50% of total sales and we have made good progress in developing a growth platform for the business.

Financial Results

Total group revenue increased by 4.8% to £753.2m. Excluding the non-comparable periods for newly opened stores, the acquisition of Figleaves and the 53rd week, like-for-like sales grew by 1.6%. The combination of rising input prices and falling disposable income inevitably subdued demand from our hard-pressed customers, so as anticipated we reduced prices and increased promotional activity to stimulate demand. This led to a 0.8% decline in the rate of gross margin to 53.0%.

Operating profit is slightly down by £0.6m to £102.0m, after absorbing £5.2m of losses on opening the Simply Be concept stores and expanding internationally (2011, £2.3m). However it does include the benefit of the 53rd week this year which has contributed revenue of £12.9m and operating profit of £2.9m. Profit before taxation is up by 2.5% to £96.9m (2011, £94.5m) although, once the fair value adjustments to foreign exchange contracts are excluded, the

profit before taxation is £95.6m (2011, £98.2m). Adjusted earnings per share are up by 7.0% to 28.91p, benefitting from a lower tax charge, primarily due to the utilisation of tax losses acquired with Figleaves. The board is proposing a final dividend of 7.74 pence per share, up 5.0% on last year and in line with the increase in the interim dividend. This gives a total dividend for the year of 13.03 pence, covered 2.2 times.

Net borrowings at 3 March 2012 were £192.5m (2011, £180.9m). As expected there was a higher level of capital expenditure to drive internet sales and set up the pilot Simply Be stores. Net finance costs have increased from £4.4m to £6.4m, covered 16 times by operating profit. The rise is due to the higher margin payable on £350m of bank facilities which have been renewed during 2011 for a further five years. Gearing has fallen from 50% to 48% on net assets which have risen by 11.6% to £402.3m.



Trading Highlights

During the year the key trading highlights have been:

- Online sales passing the 50% share of total sales, following 16% growth to £377m during the year.
- Managing and flexing the marketing investment across our brand portfolio based on the results of recruitment campaigns, mailings and online promotions. The strongest growth was from the Jacamo, Marisota and House of Bath customer brands.

The board is proposing a final dividend of 7.74 pence per share, up 5.0% on last year and in line with the increase in the interim dividend. This gives a total dividend for the year of 13.03 pence, covered 2.2 times.

- Seeing the turnaround plans in Figleaves and High & Mighty delivering results. Figleaves made its first ever profit in 13 years of trading and High & Mighty opened 3 new stores whilst significantly reducing its losses to £0.2m.
- Growing the Simply Be brand in the USA where sales increased from £0.8m to £4.8m. We deliberately slowed the rate of customer growth in Germany until we had reduced the rate of returns which improved by 1 percentage point to 60%.
- Opening two Simply Be concept stores, and four more since the year-end, to test whether a full multi-channel operation can drive sufficient incremental sales to justify the investment and fixed costs. We will evaluate the performance of these stores towards the end of 2012 based on the uplift of sales from all channels in the postcode region around the store.
- Focusing on our strong product propositions in footwear and menswear to deliver growth of 6% and 15% respectively. The sales of ladieswear were up 2%.

Corporate Social Responsibility

The role of business in society has been, and remains, clearly in the spotlight. At N Brown Group we aim for continuous improvement in all areas from ethical sourcing of product through to greater involvement in our local community. A description of some of our initiatives are set out in the directors' report.

Current Trading and Outlook

Sales for the 8 weeks to 28 April 2012 are 1.0% up on last year and 0.6% up on a like-for-like basis. The year-on-year weather conditions and the earlier Easter break make comparisons complicated

but overall the pattern of trading from the second half is continuing, with customers reluctant to spend unless the product or promotional offer is compelling. Consumer confidence remains fragile but we believe the situation will improve in the second half of the year as inflation and income growth become more balanced and our own comparatives become softer.

In a weak economic environment any improvement to our competitive position must therefore come through our own actions. We believe that we have the required plans and platform in place for growth in these market conditions.

We will be offering customers lower prices in the autumn and will look to be more aggressive on key value lines. Our stock levels are currently well balanced and this will reduce the need for the level of discounting and promotional offers that were required in the second half last year to clear some excess stocks. Our online trading strategy still has much further to go and we can exploit the features and functionality we have already developed to deliver rich and relevant content, which will drive both incremental sales and cost savings.

We recognise the increasing importance of strong brands in the online channel, high street stores and international markets and we will be concentrating our marketing spend on fewer of our brands than has previously been the case.

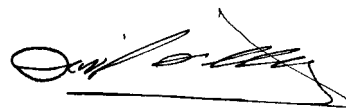
Customer recruitment was strong in the second half and we are investing extra resources this year to support this growth, in addition to campaigns to reactivate more of our lapsed customers. One of the aims of the multimedia Simply Be stores is to reach customers who are in our target market but prefer to shop on the high street, rather than online, and early indications

are that a high proportion of store visits are from women who have not shopped with us previously.

International expansion is another key strategic development. We will focus on the USA, and we have now appointed local digital marketing agencies to boost Simply Be's online recruitment and social media activities there. We will also trial both Marisota and Jacamo, initially on the Simply Be website, and look to boost Figleaves' international sales.

Market conditions remain challenging but we have a competitive proposition for the middle-aged and plus-size customer groups, which have excellent long-term growth prospects. The continuing development of our unique product ranges, online trading capability and the expansion into stores and international markets should keep N Brown in the leading group of clothing retailers.

The ability of the business to rapidly adapt to changing market circumstances is one of its enduring qualities and I would like to thank all stakeholders, including suppliers and the trade union, for their contribution, but especially all our staff who have been both innovative and hard working to deliver record levels of service quality to our customers throughout the year.



Lord Alliance of Manchester, CBE

Chief Executive's Review

The group has continued to make progress this year despite a significant decline in our customers' discretionary spending power. This has necessitated active management of our selling prices, marketing investment and overhead base across all of our brands portfolio to deliver this outcome.

Revenue

Revenue growth has been delivered through the core UK home shopping business supplemented by international expansion and new store openings. For the 53 weeks to 3 March 2012 revenue is up in total by 4.8% to £753.2m, and by 1.6% on a like-for-like basis which excludes the impact of newly opened stores, the acquisition of Figleaves in June 2010 and the 53rd week.

Customer Groups

Target Age	Revenue £m	% Change
30-50	271	+13
Over 50	482	+1
Total	753	+5

N Brown Group has a very distinctive customer base, comprising over 6 million individuals with an average age of 58, and an average dress size of 18. During the year we saw a small decline in the number of active established customers but a combination of higher selling prices and promotional campaigns led to a 4% increase in average sales per customer. Sales from new customers rose by 2% for the year as a whole, due to improved recruitment campaigns in the second half.

Under 50 Customer Group

The brands in this group grew at a faster rate than those targeted at the 50 plus segment, due to the development of Simply Be, Jacamo and Figleaves.

Simply Be is the largest single brand in the group with sales of over £100m from all channels and geographies. The focus is on fashionable and flattering clothing in sizes 14-32 specifically designed for the plus-size woman. These customers often have difficulty finding clothes to fit

in other retail stores, whether in the UK or elsewhere, which is why we chose the Simply Be brand for both our international expansion and high street store trial.

Jacamo is targeted at the brand-conscious thirty-something male who either wants the convenience of online shopping or struggles to find branded clothing in his size. Good response rates to the improved product offer, coupled with significant numbers of new customers, led to sales increasing by over 50%.

Figleaves has had an excellent year moving into profit for the first time in its 13 year history after radically pruning its cost base. Sales from Figleaves' own brand rose by 20% including the new FGL menswear range, and the range extensions allied to lingerie, such as swimwear and pyjamas.

The other major brand in this section, Fashion World, whose customers' are primarily from the lower socio-demographic groups, had flat sales year on year.

50 Plus Customer Group

The midlife and older customers aged 50 and above suffered from a combination of high inflation, particularly for food and energy costs, and a low return on their savings. Two thirds of these customers are over 65 and have relatively fixed incomes. Consequently there was a contrasting performance between the brands targeted at the younger end of this category, such as Marisota, and those at the older end, such as Heather Valley and Special Collection.



Marisota increased its revenues by 24% targeting the customers aged about 50 with a catalogue and website focused on solutions for problems with the fit of clothing and footwear. For example we promote our 'Magi' range which, using the latest design and fabric technologies, can create a smoother body shape. Similarly we have developed our 'Legroom' footwear range which now has five different calf fittings for long-line ladies boots. The same is also true of our lingerie range which focuses on the fitting and comfort problems customers have, which, as an example, led to the development of the world's largest strapless bra, available up to size 48K.

Our longest established catalogue is distributed under the JD Williams, Ambrose Wilson, Oxendales, Fifty Plus and That's My Style brands which account for 39% of group revenue. Sales were slightly down even though the average sales per customer were up. However there was a small proportion of customers who resisted all our promotional activity, and we will especially target them in 2012 to reactivate their purchasing activity.

Group revenue
up 4.8% to

£753.2m

Adjusted earnings per
share up 7.0% to

28.91p

Total dividend
up 5% to

13.03p

The group of brands targeting customers with an average age of 70 had mixed fortunes, and in aggregate sales were down by 7%. Gray & Osbourn, targeting the more affluent 60+ customer, increased full margin sales but overall revenue was lower as reduced stock levels led to fewer discounted sales. House of Bath, which sells unusual items for the home and garden, had an excellent year with sales up by 12%, and Julipa also did well.

Product Groups

Category	Revenue £m	% of Total	% Change
Ladieswear	365	48	+2
Footwear	84	11	+6
Menswear	95	13	+15
Home & Leisure	209	28	+5
Total	753	100	+5

During 2011 the group was operating in product sectors which were amongst the most challenging in the retail marketplace. The plus-size clothing sector did not grow at all and the sales of home and leisure goods were also weak, particularly for big ticket items. Against this backdrop we can be reasonably satisfied with a 1.6% like-for-like sales growth.

Ladieswear accounts for about half the group's revenue, and was up by 2% for the year as a whole. Due to the cotton price bubble in 2010 input costs for clothing in 2011 were up by 9% on average, which we passed through into selling prices. Customers were only being enticed to purchase if the product or the price was compelling. Consequently we had strong sales on lines where we had new designs or product with unique features and the designer and celebrity endorsed ranges but sales of basic casual clothing were down.

Within ladieswear lingerie sales were up 7%, partly due to Fingleaves' performance, but we also took market share in bras, swimwear and nightwear.

Footwear saw sales growth of 6%. Core footwear sales benefited from an improved range of styles and fittings but we also had strong growth from men's footwear, sports footwear and Viva La Diva, our online pure play which sells third party brands as well as our own.

Menswear continues to be our fastest growing product sector. Revenue was up by 15%, primarily driven by the success of Jacamo and the expansion of High & Mighty's store network. We have recruited Freddie Flintoff as Jacamo's brand ambassador and his range is selling well. More branded menswear suppliers are manufacturing their ranges in larger sizes, exclusively for Jacamo. In addition both Premier Man and Williams and Brown are doing well, as is our sportswear range.

Home and leisure sales were up by 5% in total, although there was a significant variation within the sub-ranges. Gifts and toys were 18% up as we promoted the Brilliant Gift website throughout the year, rather than just at Christmas. Electrical and homewares also had good growth, helped by the availability of credit on customers' personal accounts. However furniture, bedding and home decor were all down as customers deferred home improvement.

Multi-channel

Online sales are now the majority of the group sales, as a 16% increase in online sales to £377m enabled us to pass the 50% milestone. The increasing proportion of new customers recruited on our websites, the improved quality

of our email campaigns and improved website functionality all contributed to this growth. We are the market leader for online sales for plus-size womenswear, menswear for the fifty plus age group and many other categories. Sales from product lines only available online, most of which are shipped directly to our customers by the suppliers, increased by 29%.

This increase in online sales improves profitability as web orders have a 25% higher value than telephone orders and costs reduce in the contact centre as volumes fall. Telephone order volumes have fallen 17% this year, and telephone enquiries and payment calls are down 21% as customers' switch to using our redesigned online 'My Account' facility.

Despite the increasing share of all retail sales transacted on or influenced by the web the vast majority of clothing and footwear sales are still conducted in high street stores. This is even true for the plus-size market which led us to trial some Simply Be stores to see if we could profitably gain more market share for our most fashionable clothing range. We opened stores in Liverpool and Bury in autumn 2011 and in-stores sales totalled £0.7m by the year-end. We will evaluate the stores based on the uplift of sales from all channels in the post codes influenced by the store location. Early indications are that there is an uplift in the level of online purchases in the catchment area. In the last month we have opened stores in Gateshead, Teesside, Leicester and Doncaster and a Manchester store is scheduled to open in September. This small portfolio of stores is focused on five major shopping centres, including one out-of-town retail park, plus two smaller towns so we can identify the ideal type of location,

Menswear sales
up 15% to

£95m

Ladieswear sales
up 2% to

£365m

Share of
online sales pass

50%

assuming further capital investment is justified by incremental sales.

High & Mighty was acquired out of administration in late 2009. Since then we have relocated the business to Manchester, re-platformed the website, relocated four stores, refurbished seven stores and opened six new stores, of which three were new in 2011/12. Total sales grew by 17% to £8.8m with like-for-like sales up by 7%. Losses shrank from £0.8m to £0.2m and we would expect to move into profit in the current year.

International

We believe Simply Be's fashionable plus-size clothing range will appeal to international customers, and have so far targeted Germany and the USA. Total sales were £8.4m (2011, £4.2m) with losses of £4.8m (2011, £2.3m). Our key target is the USA as the market opportunity for us is significant and the key performance indicators to date are favourable, with high gross margins and returns rates below 30%. Customer recruitment has been primarily through catalogue mailings to selected customer lists, supplemented by online recruitment through paid search and social media. The appointment of local digital agencies took longer than originally anticipated but they will be a key lever of growth in 2012.

Germany's performance has previously been held back by high rates of product returns. A number of initiatives were implemented which have brought the rate down by 1% to 60%, although this is still too high. We limited the level of customer recruitment whilst we were making these changes.

We also have international sales for Oxendales in Ireland, a market which continues to be very challenging, and for Figleaves which has over 20% of its sales from overseas and an opportunity to grow them further.

Gross Margin and Credit

The overall rate of gross margin fell by 0.8% to 53.0% with a reduced margin on product sales offset by an increase in net consumer credit income.

The sales of ladies clothing and footwear were impacted by the mild autumn weather and resulted in excess stocks of cold weather merchandise. As a consequence we offered more aggressive promotional discounts to customers who had not ordered and marked down prices to reduce inventory levels. Although this reduced the rate of gross margin by 2.2% we did successfully reactivate some dormant customers and limited the increase in year-end inventories to only 5.8%.

Income derived from our customers' credit accounts performed well with revenue up 11.9% to £218.4m. Changes to credit policies and processes gave customers the options of paying their accounts off over a slightly longer period. This increased the gross margin rate from financial services income by 1.4% with the increased interest income partly offset by a rise in the rate of bad debt charge, which increased as a percentage of revenue from 7.4% to 7.7%. The arrears profile of the debtor book has improved during the year.

Overheads

The business has successfully controlled costs during volatile and inflationary trading conditions. An increase in average order values led to improved

collation and a lower volume of parcels despatched. This offset much of the increases for fuel and payroll limiting the overall rise in distribution costs to 3.0%. Selling and administration costs rose by 4.8%, in line with group turnover, but this included heavy investment in customer recruitment, both at home and abroad, and high rates of inflation for postage, paper and print.

Customer Service

Exemplary customer service is essential in difficult economic circumstances to maintain customer loyalty and in this respect we had an excellent year. The ratio of enquiries to orders improved further and we had the fastest delivery and the lowest ever levels of claims for goods not received. In addition our bi-annual surveys of customer satisfaction showed record approval levels.

Outlook and Current Trading

The strategic plan for the business is designed to develop our multi-channel trading performance in the UK which will then provide a platform for international expansion. There are several components to this strategy which will be our key areas of focus during 2012/13.

Within the core home shopping business we will be concentrating our marketing investment on the key ladieswear and menswear brands plus the speciality propositions. We will improve our online trading capability and drive incremental sales which will allow us to reduce our mailing contacts. Our websites will be adapted to capitalise on the exponential growth of online access from mobile devices. We will review the attractiveness of further store openings relative to the capital outlay and we are testing Jacamo's menswear

Online sales
up 16% to

£377m

Footwear sales
up 6% to

£84m

Home & Leisure
sales up 5% to

£209m

on the mezzanine floors of two Simply Be stores. Similarly we will be testing the international potential of Marisota and Jacamo within the Simply Be website in the USA.

Traditionally we have dealt with customers who regarded it as normal to open a credit account even if it was just to try on the clothing before purchase. As the online audience becomes more diverse in its age and socio-demographic spread we will be testing simpler up-front payment options to determine whether this profitably increases the size of our customer base. We will also be providing more delivery options for our customers.

Revenue for the 8 weeks ended 28 April 2012 shows an increase of 1.0%, and a like-for-like increase of 0.6%, excluding the sales from stores not open at this time last year. Consumer confidence is still low but the situation should improve later in the year as inflation and income growth rates start to converge. The recent spate of retail casualties will also free up some capacity in the market sectors in which we operate.

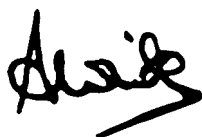
We have seen encouraging results from our Spring recruitment campaigns which will help to rebuild the 3% reduction in the active customer database we experienced last year. We also have a series of reactivation campaigns for lapsed customers planned. The second half of last year saw high levels of discounting activity to clear excess stocks both by ourselves and in the sector as a whole. We have bought less stock this year now that lead times have returned to normal from our suppliers and we expect a benefit in the rate of gross margin in the second half. The reduction in cotton and fabric prices

will result in lower input prices in the autumn which we will pass on to our customers.

Our online capability was strengthened last year, both in systems functionality and personnel, and this will enable us to trade our websites even more effectively this year. We have already seen an increase of 11% in our online sales in March and April compared with last year.

The clear focus on our targeted customer and product groups, traded through multiple channels and to a wider geographic audience, supported by more credit and service options, will drive the business forward in the coming year.

Trading was extremely tough in 2011 but everyone in the business has risen to the challenges facing them. This resilience and our focused strategic plan leave N Brown Group well placed to make further progress this year.



Alan White

Financial Review

Profit before tax
up 2.6% to

£96.9m

Net assets
up 11.6% to

£402.3m

Bank loans in
place until 2016
Gearing reduced to

48%

Group Trading Summary

In a difficult trading climate group sales increased by 4.8% to £753.2m (2011, £718.8m) but operating profit fell by 0.6% to £102.0m (2011, £102.6m). Operating margins have fallen by 70bps from 14.3% to 13.6% in the following areas:

Net operating margin last year	14.3%
Decrease in gross margin	-80bps
Decrease in operating costs	+10bps
Net operating margin this year	13.6%

The reduction in the rate of gross margin was due to a combination of lower product margins as a result of higher promotional discounting, improved financial income revenue offset by an expected increase in rate of charge for bad debts. Tight controls on costs generated a small margin improvement in operating costs. As a result, and together with an increase in group net finance charges from £4.4m to £6.4m, profit before taxation and fair value adjustments to financial instruments amounted to £95.6m (2011, £98.2m). The positive movement in the fair value of the group's forward foreign currency contracts contributed a gain of £1.3m compared to a loss of £3.7m last year. The fair value of these forward contracts is based on external factors which are beyond the control of management. Profit before taxation was up 2.6% to £96.9m (2011, £94.5m).

Taxation

The effective rate of corporation tax for the year was 16.4% (2011, 24.1%), and arises from the recognition of tax losses amounting to £6.5m acquired with the Figleaves subsidiary and positions taken or settled on prior year initiatives. The effective tax rate for the year ahead is

expected to return to a rate of approximately 23%.

Balance Sheet and Cashflow

Net assets increased by 11.6% to £402.3m at the year end (2011, £360.4m).

Capitalised expenditure for the year was £24.9m (2011, £22.1m) which included £5.0m on the High & Mighty and Simply Be concept stores. The majority of the remaining expenditure related to ongoing investment in our online systems.

We maintained our level of working capital in the year. Trade receivables at the year end had increased by 5.8% to £501.8m (2011, £474.5m), and stock levels by 5.8% to £82.6m (2011, £78.1m). The bad debt provision increased to £49.3m (2011, £45.1m) which equates to 8.9% (2011, 8.7%) of gross debtors.

The net pension position of the group's defined benefit pension scheme has changed from a surplus of £3.3m in 2011 to a small deficit of £1.0m at the year end. The movement predominately arises from a net actuarial loss of £6.2m together with net service costs of £1.5m offset in part by contributions of £3.4m.

Net cash generated from operating activities reduced slightly from £57.4m to £56.5m and after increased capital expenditure, finance costs and dividends, borrowings rose by £11.6m to £192.5m (2011 £180.9m). Gearing improved from 50% last year to 48% at the year end.

Key Financial Performance Indicators

The group employs a number of key performance indicators (KPIs) to monitor progress including;



- Like for like sales (see page 10).
- Internet sales (see page 11).
- The number of customer debtor accounts and their average debtor balance, which at the year end was 1,449,000 (2011, 1,489,000) and £354 (2011, £331) respectively.
- Mix of sales by product and customer groups (see page 10).
- Gross margin (see page 14).
- Operating margin (see page 14).
- Interest cover (see page 8).
- Earnings per share (see page 8).

Risk 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, which may arise from events beyond our control, and which could have a detrimental impact on sales and profit; and
- changes to the regulatory environment in which the business operates, primarily with regard to the Financial Services Authority and the Office of Fair Trading.

The directors routinely monitor all these risks and uncertainties taking appropriate action to mitigate where necessary. Business continuity procedures are in place, together with a dedicated team assessing regulatory developments and ensuring that we treat our customers fairly. Regular reviews are carried out with all of our strategic partners. The board are also committed to the investment in systems and infrastructure to keep pace with new technology.

Treasury

During the year the group's banking facilities have been renewed to support its ongoing trading and development activities. The group has committed borrowings of £370m of which £250m was utilised at the year end. The primary facilities are a £250m securitisation programme through an HSBC A-1/P1 rated conduit that has a matching standby facility. This facility is in place until March 2016. Additionally, the group has two revolving credit loan facilities of £50m each with HSBC Bank plc and the Royal Bank of Scotland plc which also expire in March 2016. All current facilities in place at the year end are arranged at floating interest rates at margins which were favourably negotiated at the time of renewal. 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 used in the year.

Foreign exchange requirements for the purchase of stocks denominated in US dollars may be hedged for up to three years ahead to fix the costs 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 \$69m (2011, \$70m).

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 European Union.

In determining whether the group's accounts can be prepared on a going concern basis the directors consider the group 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 the 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 of the group's audited financial statements. These have been appraised in the light of 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 sales and debtor book.

The group's forecast 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 £370m. These facilities have been renewed during the year and are committed until March 2016.

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, we continue to adopt the going concern basis in the preparation of the annual report and accounts.

Shareholder Return

The share price of 274.7p at the start of the year has fallen to 238.8p at the year end giving a market capitalisation of £676.8m (2011, £770.3m). In addition the group's five year performance measured by Total Shareholder Return compared with the FTSE Mid-250 index, of which the group is a member, show that we have underperformed the market in the last twelve months. A final dividend of 7.74p (2011, 7.37p) per share has been recommended by the board giving a total dividend for the year of 13.03p (2011, 12.41p) per share, up by 5% and covered 2.2 times (2011, 2.2 times).



Dean Moore

Directors and Officers



Lord Alliance of Manchester CBE (79)
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.



Alan White (57)
Chief Executive

Chief Executive since 2002, having been CFO from 1985 to 1999. In between he was CFO for Littlewoods plc. Qualified as a chartered accountant with Arthur Andersen and held a senior financial role with Sharp Electronics. Also a non-executive director of Topps Tiles plc and a member of the CBI North West Regional Council and other business groups.



Dean Moore (54)
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.



Nigel Alliance OBE (77)
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.



Ivan Fallon (67)
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 and a leading financial journalist. Chairman of the remuneration committee.



Lord Stone of Blackheath (69)
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 Falcon Power Holdings and the international health charity DIPEX. Chairman of the nomination committee.



John McGuire (63)
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.



Anna Ford (68)
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.



Philip Harland (56)
Company Secretary

Joined the company in 2000. Previously a commercial lawyer in private practice in Manchester, then company secretary and associate director of legal services at GUS Home Shopping Ltd. Admitted as a solicitor in 1981.

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

THE FACTS AND FIGURES

Directors' Report	18
Corporate Governance Report	24
Remuneration Report	29
Independent Auditor's Report – Group Accounts	39
Consolidated Income Statement	40
Consolidated Statement of Comprehensive Income	40
Consolidated Balance Sheet	41
Consolidated Cash Flow Statement	42
Reconciliation of Operating Profit to Net Cash from Operating Activities	42
Consolidated Statement of Changes in Equity	43
Notes to the Group Accounts	44
Independent Auditor's Report – Company Accounts	68
Company Balance Sheet	69
Notes to the Company Accounts	70
Shareholder Information	IBC

Directors' Report

Directors' Report

The directors present their annual report and accounts for the 53 weeks ended 3 March 2012.

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 53 weeks ended 3 March 2012 amounted to £96.9m (2011, £94.5m). No geographical segmentation is provided because, other than small operations in the Republic of Ireland, Germany and the United States, 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 53 weeks ended 3 March 2012 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 these requirements can be found within this report, the Chairman's Statement, the Chief Executive's Review and the Financial Review (pages 8 to 15), all of which information is incorporated by cross-reference into this report.

The board continuously strives to identify and review 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 manage risks appropriately. The executive directors and operating board directors implement and oversee risk management processes and report to the board on them.

As required by the Code, pages 4 to 15 provide an explanation of the basis on which the company generates value and preserves it over the long-term and its strategy for delivering its objectives.

Dividends and reserves

An interim dividend of 5.29p per share (2011, 5.04p) was paid on the ordinary shares of the company on 6 January 2012. The net cost of this dividend was £14.7m (2011, £13.8m).

The directors recommend a final dividend of 7.74p per share (2011, 7.37p) for the 53 weeks ended 3 March 2012, the net cost of which will be £21.5m (2011, £20.3m). The dividend will be paid on 27 July 2012.

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

Acquisitions and disposals

In the year under review there were no corporate acquisitions or disposals.

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 27 on page 63.

Annual general meeting

The annual general meeting will be held on Tuesday, 3 July 2012. The notice convening the annual general meeting will be sent to members by way of separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

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 UK Corporate Governance Code and the Companies Act.

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.

No director had any interest in any disclosable contract or arrangements, other than a contract of service, with the company or any subsidiary company either during or at the end of the year.

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 2012:

	Holding	% of issued share capital
INVESCO Asset Management Ltd	18,900,603	6.67
Threadneedle Asset Management Ltd	18,345,773	6.47

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 on-going basis as part of its commitment to sustainable business. Further details are contained in the Corporate Governance Report on pages 24 to 28.

Ethical standards

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, bribery and corruption, conflicts of interest, gifts and hospitality has been adopted by the group. 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 dealings with each other, shareholders, customers, suppliers, competitors, regulatory authorities and the wider community, all employees are required to:

- conduct dealings with honesty, integrity, respect and fairness;
- comply with all relevant laws, regulations

- and internal company policy;
- encourage and support a business culture which promotes sound ethical conduct at all levels within the organisation;
- avoid any situation or action, which could cause a conflict of interest or damage to the group's reputation; and
- foster an inclusive team-working 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 Gifts and Hospitality register exists which requires all employees to record any gift or hospitality offered by suppliers and other parties. Monthly returns are required from all directors and employees declaring any offer with a value of £25 or more, and stating whether an offer was accepted or declined.

A "whistleblowing policy" and confidential 'hotline' provides employees with a secure and private means of reporting any ethical concerns that they may have regarding the way the group or any employee is behaving in day-to-day activities. No 'whistleblowing' events were reported in the year.

Environment

The continuous improvement of our environmental performance is integral to the success and future sustainability of the operations. We are committed to minimising any damage which our activities may cause to the environment. Day to day responsibility for sustainability vests in Ian Carr, director of logistics, who sits on the operational board of J.D. Williams & Company Limited and who reports to the Chief Executive and, through him, to the board of directors.

Since 2007, the group has been actively working with its environmental partners, Envantage Ltd and Viridor Ltd to minimise Green House Gas (GHG) emissions, reduce energy and water consumption, minimise waste and increase group-wide environmental awareness and accountability. Investment in energy efficiency and water minimisation technologies has led to significant achievements since 2007.

The tables below illustrate our environmental achievements since 2007 to date:

Energy and emissions	Absolute reduction from base year ¹	GHG emissions reduction from base year tCO ₂ e	% reduction
Electricity	840,214 kWh	312	3%
Natural Gas	1,443,351 kWh	274	11%
Diesel	16,157 Litres	43	10%
Total GHG tCO₂ reduction		629	5%

	Reduction from base year	% reduction
Water ²	15,638 m ³	36%

Achieved percentage of recycled waste 2011-2012

99.8%³

1. The group's base year has been recalculated to take into account the acquisition of Figleaves Global Trading Ltd and High and Mighty Ltd and the divestment of Zendor in line with the GHG protocol base year recalculation guidelines.

2. Based on metered sites and available data provided to Envantage Ltd.

3. Retail sites are currently excluded from this data. The aim is to include 100% of group sites by Autumn 2013 and to achieve 100% recycling across the group by 2015.

Directors' Report

Qualitative measures

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

- Planned further investment into the next wave of our carbon abatement programme;
- The promotion and facilitation of green commuting among staff;
- Annual voluntary reporting to the Carbon Disclosure Project;
- Installation of automated energy meter reading technology and analysis software;
- Considering options for renewable energy installations, including Solar PV / Voltage Optimisation and Liquid Pressure Amplification;
- Joined the British Retail Consortium's Climate Change Commitment programme;
- Packaging components are made from materials and processes causing minimum harm to the environment when either manufactured, processed, recycled or eventually disposed of wherever practicable;
- 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;
- Paper used in the printing of our catalogues is derived from managed and renewable sources accredited by the Forest Stewardship Council wherever possible.

Employees

The Chief Executive has board level responsibility for employment matters.

- **Employee involvement.** Our success has been substantially contributed to 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 services divisions covering over 2,000 employees have also achieved Investors in People accreditation at Bronze and Silver 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.

As mentioned above, in 2010 the group repeated its business-wide Employee Engagement Survey and over 2,300 employees participated. As a direct result of this survey an employee profit share scheme has been introduced to enable employees to feel and benefit in the company's success. In addition the company's grading structure has been enhanced by the introduction of two new grades which allow enhanced career progression and better alignment of pay and benefits. In order for these grades to be introduced a new system for job evaluation has also been established in consultation with Towers Watson Limited. The addition of an Executive Development Programme to the company's training plan has also been introduced as a result of the survey. The final and most significant output from the survey has been the introduction of a more flexible working policy for the company's 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.

- **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.

- **Health and safety.** The health, safety and welfare at work of its employees, contractors and visitors is paramount as is ensuring compliance with all relevant legislation. The group is also committed to best practice initiatives. A benchmarking exercise against OHSAS 18001 standards has taken place throughout the year and has helped define the groups' strategy in progressing the focus of health & safety as a senior management level issue over the coming year, with programmes to include behavioral safety initiatives to continuously improve the group's health & safety culture.

Cumulative group accident statistics show that for the year in review, reportable accidents under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) have reduced by 22% compared to the same period in 2010/11.

In the year in review, we also saw a 0.5% reduction in the incidence of accidents per 1,000 employees compared to the same period in 2010/11. An internal analysis has shown muscular skeletal injuries to be the main category of injury and therefore manual handling refresher training programmes have been put in place to improve standards in this area.

We endeavour to ensure that all products and services sold by the group or used in

Directors' Report

the workplace are safe and without risk to employees and customers when used properly.

Customers

A key factor of the group's success is the quality of its relationship with its customers and their levels of satisfaction with our group products and services.

Regular customer satisfaction surveys are conducted, both directly and through third parties. Enquiries and complaints have been pro-actively reduced over recent years as a proportion of customer order transactions, reflecting the introduction of more customer-oriented policies, processes and product/service standards. Telephone, email and letter contacts received from customers are analysed and remedial actions taken to improve our levels of service.

The group operates both in-house and outsourced contact centres, predominantly located in the UK. Our international businesses are supported through local contact centres in the USA, Germany and Eire.

Web self-service capabilities are delivered through a "my account" facility for customer order and account management information. Web-enabled contact centre capabilities are being deployed to support our web-trading customers, including multimedia, web chat, click-to-call and social media.

We aim to attract and retain customers through a competitive product and quality of customer service offering, regularly monitoring retail and home-shopping sector developments to stay ahead of the game. Our speed of answering for calls and responding to emails has been improved and made more consistent. Automated speech services handle a significant proportion of customer telephone payments and parcel collection requests. We continue to invest in improved speed of product deliveries to our customers and to offer more delivery service options such as next-day or nominated day of delivery. Multiple pro-active service notification emails are being introduced to inform customers about order and account status.

Our overall strategy is to adopt a "multi-channel" approach to managing our customer contacts, with the key aim of a joined-up and consistent customer experience across channels. Our multi-channel service platforms will extend to our recently launched UK store operations.

Suppliers

The group trades with suppliers from all over the world, including both developing and developed countries.

Improving working conditions for all workers in our supply chain has been central to our Ethical Trading Policy which is aligned to the ETI (Ethical Trading Initiative) Base Code (www.ethicaltrade.org). The ETI is a unique alliance of over 70 retailers and suppliers, worldwide trade unions and voluntary organisations. It encourages partnerships between members to improve the working conditions across global supply chains.

Our Code of Conduct includes sections on:

1. Forced labour
2. Child labour
3. Freedom of association and collective bargaining
4. Reasonable wages and benefits
5. Reasonable working hours
6. Equal opportunities
7. No harsh or inhumane treatment
8. Regular employment is provided
9. Safe and hygienic working conditions

All suppliers are asked to sign up to the principles of the Code of Conduct as a prerequisite of doing business with us. The Code of Conduct is included in our supplier manual and forms part of our standard terms and conditions. The Code of Conduct is available in six languages and we encourage all of our suppliers to display a copy within their factories.

Part of our supplier engagement is a self-assessment by suppliers based on the Code of Conduct. The results of this self-assessment enables the group to carry out an initial risk assessment of the factory, open dialogue with the factory management and carry out any necessary improvements to working practices.

Below is a list of the geographical distribution of our current suppliers:-

China	62%
India and Bangladesh	11%
Other Asia	7%
UK	11%
European Union	5%
Other	4%

The group has assessed 78% of our suppliers' factories. We have appointed audit partners and launched an audit programme for our suppliers. We aim to audit all our suppliers' sites at least every 2 years and we are currently halfway through

the audit plan. We have worked with some of our agents and larger suppliers to enable them to audit their own factories. We have developed audit methodology for them to use, which is relevant to our Code of Conduct, and assisted them in incorporating these as part of their normal verification process, when selecting new factories or monitoring existing factories.

We estimate that our risk assessments and audits have covered over 448,000 workers.

Our long term supplier-related goals include:

- Developing country/region guides as an aid for Buying and Merchandise staff when visiting new or existing markets;
- The group participating fully in the ETI's working programmes and rolling out any relevant learning to our supply base;
- Engaging suppliers with the business benefits of working ethically and participating in work programmes; and
- Raising the profile of Ethical Trading within Buying and Merchandising and other areas of the business.

The group's policy for the payment of suppliers is to ensure that all suppliers know and accept the group's payment terms. Payment is made in accordance with these terms. Trade creditors of the group at 3 March 2012 represented 40 days (2011, 40 days) of purchases.

Community relations

The group actively supports the communities in which it operates. It maintains close links with the Christie Hospital in Manchester and the Retail Trust and also regularly encourages employees to participate in fundraising activities for these, and other worthwhile causes. The group matches the money raised by employees to double the size of the donation.

In 2011/12 a record number of employees were involved in charitable events raising more than £134,000 for both national charities and local good causes.

The family, health and well-being programme, now in its eighth year, continues to provide support and real assistance for all of our employees.

Charitable and political donations

During the year, the group made charitable donations of £71,011 (2011, £70,960). No political donations have been made (2011, nil).

Directors' Report

Pension fund

The group continues to ensure that the N Brown Group Pension Fund ('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. Mercer Investments provides investment advice and fiduciary management. The actuarial and administration services are provided by Mercer 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 Pension Fund or in administration of the Pension Fund. This amounts to a "qualifying indemnity provision" (as defined in section 236 of the Companies Act).

The 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 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.

Following the results of the 2009 triennial actuarial review, the group agreed to pay £2.5m into the Pension Fund each March with the aim of paying off the funding shortfall by 2013.

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 57. The group's risk management policies and procedures are also discussed in the Financial Review on page 15.

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. Executive Directors' service contracts are terminable by the company on giving 12 months' 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.

Auditors

A resolution to re-appoint 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 3 July 2012.

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 dependents;
- 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 15.

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 29 to 38 and the Corporate Governance Report on pages 24 to 28 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 have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted 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

Directors' Report

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;
- state whether applicable IFRS's as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

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

By order of the board

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

18 May 2012

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

18 May 2012

Corporate Governance Report

UK Corporate Governance Code

The board is committed to high standards of corporate governance and compliance with the principles in the UK Corporate Governance Code issued by the UK Financial Reporting Council in 2010 (the "Code").

For the year in review the board considers that it and the company have complied with the provisions 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 pages 29 to 38.

Board composition

The board 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 board is sensitive to the need for non-executive directors to remain independent of the management in order to be able to exercise proper oversight and effectively challenge the executive directors. 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,
- Ivan Fallon (deputy chairman and senior non-executive director);
 - Lord Stone of Blackheath (chair of nominations committee);
 - John McGuire (chair of audit committee); and
 - Anna Ford.

Each of these is considered by the board to be independent.

Ivan Fallon was appointed to the board in October 1994 and 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 considers that his substantial commercial acumen and extensive knowledge of the group's businesses gained during his service on the board far outweigh any considerations of lack of independence. 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 great benefit to the fashion division of the group.

On the basis of the above, the board considers that it had a majority of independent non-executive directors serving during the year. It is also considered that the composition of the board during the year had the necessary balance of executive and non-executive directors to provide the requisite skills, experience and judgement appropriate for the requirements of the business and board effectiveness.

At last year's AGM, the board was an early adopter of the requirements in the Code that all directors retire and submit themselves for re-election annually and, again this year, each of the directors will again retire at the forthcoming AGM. All of them, being eligible, will offer themselves for reappointment at that meeting.

Rather than serve on 3 year terms, all non-executive directors now serve the company under letters of appointment which stipulate rolling terms of six months duration. All appointments are terminable, without compensation, on six months' notice by either party and are subject to other early termination provisions, for example all non-executives letters of appointment permit termination without compensation in the event a director is not re-elected upon retirement by rotation in accordance with the articles, or at the AGM.

The board, having carried out a performance evaluation, considers that the performance of all directors and their commitment to the role of director continues to be effective. Biographical detail of each director 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.

Directors and officers insurance cover has been established for all directors to provide cover against their reasonable actions on behalf of the company.

Diversity

The board recognises the importance of diversity, including gender, at all levels of the company as well as on the board and is supportive of the aims and objectives of the Davies Report on Women on Boards which was published in February 2011. The company is committed to equal opportunities and increasing diversity across our operations. During the year under review the board considered the recommendations in the Davies report and expressed an intention to increase the number of women on the board and to work towards the recommendation of 25% female representation by 2015. Further detail can be found in the nominations committee section below. The board currently has one female board member equating to 12.5% of its directors. The board will regularly consider how diversity can be enhanced through the board and the senior management team and across the group generally. At the same time it is of the utmost importance for the board to maintain strong leadership at the company and the board will continue to appoint only the most appropriate candidates to the board. In the coming year the board will consider a board diversity policy to be included in its board governance principles.

Board operation and evaluation

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 nine times during the year. Director's attendance at board meetings was as follows:

	Attendance
Lord Alliance of Manchester CBE	9
Ivan Fallon	9
Alan White	9
Lord Stone of Blackheath	7
Nigel Alliance OBE	7
Dean Moore	9
John McGuire	9
Anna Ford	9

Corporate Governance Report

The board is responsible for major policy decisions and for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The board delegates detailed operational matters to its committees and sub-committees, the directors and senior officers, including the chief executive and finance director, where necessary. The board is collectively responsible for providing effective leadership and promoting the success of the group and works to a formal schedule of matters reserved for the board (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 each year is held over two days and is entirely devoted to a backwards-looking review and the future development of the group's long-term strategic plan.

The day-to-day 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 finance director respectively.

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 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 and so that the company can benefit from the skills and experience of the non-executive directors. Procedures are in place to enable all directors to obtain independent

professional advice in respect of their fiduciary duties and obligations. All board members have full and direct access to the Company Secretary, who is a qualified solicitor and who attends all board and committee meetings. The Company Secretary regularly briefs the board on legal, regulatory and compliance matters, shareholder engagement issues, continuing director education and development and the statutory duties and obligation of the directors.

In the year under review the board undertook a formal appraisal of its own performance and effectiveness and also that of the Chairman and the board's 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 a joint review by the board. The performance of the Chairman was reviewed and appraised by the senior non-executive director in consultation with the other board members. The Chief Executive's performance was reviewed and appraised by the Chairman and the non-executive directors. The performance of the Finance Director (the only other executive director on the board) was carried out in a similar manner to the Chief Executive.

The evaluation concluded that the board and committees continue to perform well and are effective and that robust, free and frank discussion and challenge to the operational directors and the executive directors exists at all levels. The survey also found that the board and

committees continue to be effectively led by their respective Chairmen and that information provided to the directors was comprehensive and sufficient for the director's needs. It was also concluded that each director is individually contributing to the overall effectiveness and success of the group.

Beyond the formal annual evaluation, the performance of the executive directors is continuously monitored throughout the year by the Chairman and the Deputy Chairman. The board acknowledges the provisions of section B6.2 of the Code that an externally facilitated evaluation be carried out at least once in every 3 years and has agreed that an external evaluation of board effectiveness will be carried out for the financial year 2013/14.

The Chairman reviews and agrees with each director their training and development needs.

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 of interest were reported in the year under review.

Committees of the Board

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.

Corporate Governance Report

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 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 chairman of the committee and other members of the committee are regarded as having recent and relevant financial experience. By invitation, the audit committee meetings are also attended by the Chief Executive, the Finance Director, the group's head of internal audit and the group's external auditors.

The committee met twice 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. The committee's work includes:

- reviewing and approving the annual internal audit programme and resources;
- meeting with the internal and external auditors both with and in the absence of the executive directors;
- receiving and reviewing the annual and interim financial statements and reviewing the audit reports and audit-related reports provided by the external auditor;
- reviewing and assessing the group's system of internal risk control and sources of assurance;
- receiving reports from the company secretary on environmental, social or governance issues; and
- making recommendations to the board in respect of its findings in respect of all of the above matters.

In addition to the above scheduled meetings, 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 operational 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 robust and effective and comply with the guidance issued by the Smith Committee. During the year under review the board has not been advised by the audit committee, nor identified itself, any failings or weaknesses in internal control which it has determined to be material.

The audit committee periodically reviews the appointment 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. Assignments of non-audit services are generally subject to tender, and decisions on the allocation of work are made on the basis of competence, cost-effectiveness, relevant legislation and knowledge of the group's business. 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 of other advisers are set out in the Remuneration Report on page 29).

During the year fees paid to Deloitte LLP for audit and non-audit services were as follows:-

Audit: £0.2m
Non-audit/tax £0.4m

The chairman of the audit committee has asked Deloitte LLP to advise him of the scale of non-audit fees being incurred, as they are incurred, throughout the year to enable him to report to the committee any concerns he may have that the auditor's independence is being compromised.

As a result of its work during the year, the audit committee has concluded that the committee has acted in accordance with its terms of reference and has addressed and reasonably 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 auditors, Deloitte LLP be reappointed. Deloitte LLP have signified their willingness to continue in office and ordinary resolutions appointing them as auditors and authorising the directors to set their remuneration will be proposed at the 2012 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 four 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

Corporate Governance Report

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 29 to 38. The report will be put to an advisory vote by the members at the company's 2012 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, when appropriate, the chairman of the board and also directors of the operating board and other senior executive staff of the operating company. 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 with due regard to diversity and gender. Where appropriate, external search consultants are engaged.

The nominations committee is currently considering the Davies Report into Women on Boards and its response to the issues it raised. The committee is currently working to increase the diversity and breadth of skills and experience on the board and to this end it has engaged with and employed the services of an external consultancy, MWM Consulting LLP. The board already has one female director – Anna Ford – and aspires to increase the percentage of women on the board to at least 25% of directors by 2015.

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 on-going 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 met on 3 occasions with full attendance by all members. In addition there were a further 3 informal meetings with members of the committee to formulate and pursue the 'diversity and breadth' project referred to above.

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. There are inherent limitations in any system of internal control and no system can provide absolute assurance and management against material misstatement, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the board has established a continuous process for identifying, evaluating and managing the significant risks the group faces in order to give it reasonable assurances regarding its operations and compliance with laws and regulations.

Risk Management

In order to ensure key business developments are appropriately factored into the group's risk management process, internal audit facilitated a board-level risk session in the year. The chief executive of the group and the finance director along with operational management identified and reviewed the key risks facing the business and appraised the structure of internal controls to mitigate these risks. The audit committee was provided with the output from this process and given the opportunity to conduct its own assessment of risks across strategic, financial and operational areas. The results

have been collated and used as a key driver in the annual internal audit plan.

A risk committee has been established as a sub-committee of the audit committee on which the chief executive, the finance director (chair of risk committee), the company secretary and head of internal audit sit, to focus on reviewing management's activities to continually monitor and manage the risks identified. Operational management is asked to present to the risk committee on a cyclical basis on the progress of agreed actions against the major risks identified by the process. The output from the risk committee is then shared with the audit committee and the board.

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 control for the year under review. The board (through the audit committee) discusses with the external auditors and the internal audit department, the results of audit 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. There is an on-going 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

Corporate Governance Report

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 all shareholders, be they institutional or individual investors. Institutional investors, fund managers and analysts are kept informed of the company's overall strategy through regular meetings and investor 'road-shows' and site visits. 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 is available to meet with, and understand, the views of major shareholders.

The company aims to ensure that all shareholders have full and timely access to 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 operating division) at the announcement of the group's results and also at 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, the group recently overhauled its website to provide shareholders with up to date and comprehensive material about the group and its activities and also real-time market information and prices. Shareholders also have the opportunity to ask questions, make observations or represent their views to the board of directors by constructive use of the annual general meeting.

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 UK Listing Authority and describes how the board have applied the principles relating to directors' remuneration set out in the UK Corporate Governance Code ("the Code").

This report will be put to an advisory vote of the company's shareholders at the annual general meeting on 3 July 2012. The auditors are required to report on certain parts of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The report is therefore divided into separate sections for audited and unaudited information.

Unaudited information:

Remuneration committee

The board has established a remuneration committee ("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 his 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;
- Remuneration benchmarking and

other remuneration data taken from publications of Deloitte LLP were used. Deloitte LLP, in their capacity as the company's auditors, also provided tax services to the group.

- 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 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.

At the committee meeting held on 6 May 2011 when the remuneration policy for the following year was once again reviewed, the committee received a paper from Hewitt New Bridge Street which addressed, amongst other things, the need for the committee to consider whether it was appropriate to introduce a 'claw-back' into any of the group's incentive schemes. The committee has considered the provisions of Schedule A to the Code and has concluded that, in view of the existing safeguards built into the review mechanisms of the incentive schemes (which ensure they only pay out on the achievement of tangible deliverables) a claw-back is not required. However it is giving further consideration to introducing reclaim provisions in exceptional circumstances of financial misstatement or misconduct. The committee has resolved to keep the overall position under review.

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 annual and long-term strategy and are appropriate in amount

and capable of attracting, motivating and retaining executive directors. It is the aim of the policy to reward executive directors and senior executives by offering them competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability and which do not encourage excessive risk taking.

In particular the committee strives to ensure that its remuneration package is:-

- Aligned with the group's strategic plan;
- Aligned to shareholder's interests;
- Measured against stretching targets, both in absolute and relative terms;
- Paid in a combination of cash and share options; and
- Calculated over an annual and three-year performance period.

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 ensures that the structure of executive remuneration, including the balance between fixed and variable pay, remains linked to the promotion of the long-term success of the group and designed to promote the long-term success of the company, compatible with the company's prudent 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 award stage and the stage at which awards vest to ensure that performance has been correctly adjudicated and to safeguard excessive reward. Variable pay and remuneration is linked to both improvements in corporate and individual performance and is benchmarked to attract and retain the highest quality people. 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 policy was reviewed in March and April 2012 and will continue to apply for the current financial year.

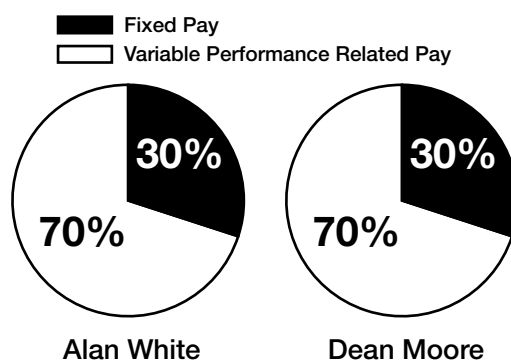
The committee is entitled to consider the group's performance on Environmental, Social and Governance ('ESG') issues when settling the remuneration of any executive director. The committee is of the opinion that the design of the incentive

Remuneration Report

arrangements for senior managers does not raise ESG risks by inadvertently motivating irresponsible behaviour or the taking of undue risks with the business.

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

Analysis of Performance vs Non Performance related elements of Remuneration Package



Basic salary

When determining the salary of the executive directors the committee takes into account 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 2011

Alan White	£521,220
Dean Moore	£293,447

The above salaries represent a 2.2% increase on the respective executive director's salary as at June 2010, which is broadly in line with the percentage increase awarded to the workforce as a whole during the same period.

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 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 KPIs 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%);
- Corporate objectives (15%); and
- Individual objectives (15%).

The maximum potential bonus payable to an executive director for 2011/12 and 2012/13 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 2011/12 were based on a combination of a profit target, improvements in customer service and the achievement of personal objectives. The performance targets for 2012/13 have recently been reviewed and, once again, will be based upon a combination of a profit target and the achievement of personal and corporate objectives.

For 2011/12 the achievement of each element 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 £103.0m, compared with the prior year's adjusted result of £98.7m. Adjusted profit before tax for 2011/12 was £97.0m, therefore the bonus payment due under this element of the scheme was 17.5% (of a maximum of 70%) for both the chief executive and the finance director.

(b) Corporate objectives (15% of bonus)

The corporate objective for the year in review was related to improvements in customer service targets. This was measured against ten leading service measures and benchmarked against

Remuneration Report

a range index totaling 100. A score of 68 was achieved and therefore the payment due under this element of the bonus scheme was 10.2% (of a maximum of 15%) for both executive directors.

(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 revenue and gross margin from both products and services, deliver key information technology and infrastructure projects, particularly to online functionality, deliver agreed targets for the bad debt charge and other major overheads, progress business development activities and update strategic options for the group. Amongst Dean Moore's personal objectives were to manage group borrowings, renew the group's bilateral loan facilities, deliver agreed targets for the bad debt charge, review the group's cost base and recommend areas of reduction. 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 11.0% (of a maximum of 15%)
- Dean Moore 9.8% (of a maximum of 15%)

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
2011/12 Bonus & Deferred Shares Paid	£201,712	£110,043
2011/12 Matching Share Award (Contingent)	£50,428	£27,511
Total 2011/12 Bonus & Matching Share Award as a percentage of Salary	48.3%	46.9%

Share incentives

Subject to the review of the committee, executive directors and senior executives are considered for participation in one of either the company's long-term incentive plan or its executive share option schemes. The committee's policy is that combined awards (ie awards under both the plan and the schemes) 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 2012/13.

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	Total shareholder return ("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 TSR. TSR as a performance condition is considered appropriate for the following reasons:

- Market research indicates that TSR is an appropriate and common measure for long-term incentive arrangements within FTSE 250 companies;
- a TSR performance condition is in the opinion of the committee more closely aligned with shareholder interests than earnings per share (“EPS”) growth; and
- a TSR performance condition more closely evaluates company performance against a basket of comparator companies in the same sector.

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, including the treatment of any company which ceases trading during any performance period. For 2012 Moss Bros, J.D. Sports and Provident Financial will replace Black’s Leisure, Alexon and Comet in the comparator list.

Vesting of awards

For awards vesting in 2012 and beyond 100% of the award will vest if the company’s TSR is ranked in the upper quartile.

Depending on rank, where the company’s TSR is ranked between the median and upper quartiles, between 25% and 85% of the award will vest. The percentage award vesting at median performance is 25% of the maximum award.

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 committee before any final award is made.

There are currently 3 LTIP awards extant. Based on TSR performance as at 30 April 2012, the company is situated in the relevant quartiles as follows:

2009/12 award - 2nd quartile
2010/13 award - 2nd quartile
2011/14 award - 2nd 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 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%

There is no plan to make any CSOP awards to executive directors in 2012/13.

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.

The 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. Following the end of the performance period attaching to the 2009 VCP awards, the remuneration committee determined that the company's average TSR performance over the three years to the end of February 2012 had not been sufficient for any of the awards to vest and consequently all awards made under the VCP have now lapsed in full.

There is no current intention to replace the VCP with a similar scheme.

All employee share schemes

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

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

Shareholding guidelines

The company has introduced formal share ownership guidelines under which the Chief Executive and the Group Finance Director are respectively 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 348%
Dean Moore 183%

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. As reported last year, in April 2010, Alan White waived £177,927 of his unapproved annual accrued pension entitlement under the terms of the unapproved scheme. On 30 March 2011 he waived a further £9,039 of his unapproved pension.

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 up to a maximum rate of 6% of pensionable salary, with the Company matching the level of employee contribution. 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 months' notice.

The policy is that the company does not make payments beyond its contractual obligations on termination. 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. Potential termination payments are summarised below:

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 on six-month rolling terms terminable upon six months' notice

subject to successful re-election upon retirement. Termination carries no right to compensation other than that provided by general law.

Brief details of non-executive and executive 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 £42,000 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.

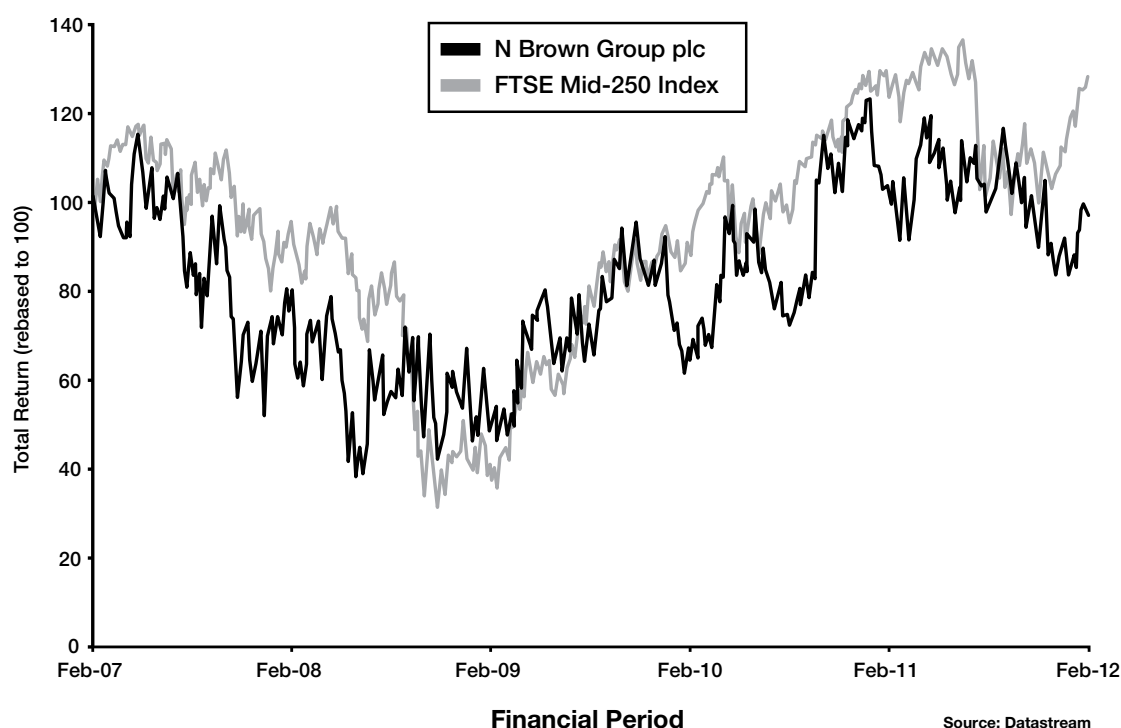
The basic fee paid to each non-executive director in the year was within the range £17,000–£38,000 per annum. A further fee of £5,000 is payable for additional work performed in respect of the chairmanship of the remuneration committee, £6,500 for the chairmanship of the audit committee and £3,000 for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

Total Shareholder Return Performance: N Brown vs FTSE 250



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	2012 total £'000	2011 total £'000
Executive (salaries)						
Alan White	528	1,146	1	202	1,877	3,210
Dean Moore	317	71	1	110	499	595
Non executive (fees)						
Lord Alliance of Manchester CBE	17	–	–	–	17	17
Nigel Alliance OBE	18	–	–	–	18	18
Ivan Fallon	50	–	–	–	50	50
Lord Stone of Blackheath	38	–	–	–	38	38
John McGuire	45	–	–	–	45	45
Anna Ford	38	–	–	–	38	38
	1,051	1,217	2	312	2,582	4,011

1. On 1 April 2011 emoluments of £1,146,606 for Alan White and £71,523 for Dean Moore have been paid directly to an employee benefits 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 £50,428 for Alan White and £27,511 for Dean Moore, which (after deduction of income tax) are shortly due to be transferred to the deferred annual bonus scheme.

Remuneration Report

Pensions

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

	Accrued pension at 26 Feb 11 ¹ £'000	Change in accrued pension during year ² £'000	Accrued pension at 3 Mar 12 ¹ £'000	Value of net change in accrual during year ^{2,3,4,6} £'000	Transfer value of accrued pension at 26 Feb 11 ³ £'000	Change in transfer value during year ^{3,4,5,6} £'000	Transfer value of accrued pension at 3 Mar 12 £'000
Alan White	106	-6	105	64	1,813	371	2,194

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 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 £17,512 (2011, £16,858).

Share options

Details of directors' share options are as follows:

	At 26 Feb 2011	Granted in year	Lapsed in year	Exercised in year	At 3 Mar 2012	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 3 March 2012 was 238.8p (2011, 274.7p) and the range during the year was 227.0p to 304.5p.

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 26 Feb 2011	Awarded in year	Lapsed in year	Exercised in year	At 3 Mar 2012	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	45,010	–	–	(45,010)	–	247.0p	275.5p	29/05/2011	28/11/2011
	53,912	–	–	–	53,912	250.0p		28/05/2012	27/11/2012
	–	38,422	–	–	38,422	288.0p		02/06/2013	01/12/2013
	98,922	38,422	–	(45,010)	92,334				
Dean Moore	23,165	–	–	(23,165)	–	247.0p	275.5p	29/05/2011	28/11/2011
	28,340	–	–	–	28,340	250.0p		28/05/2012	27/11/2012
	–	21,684	–	–	21,684	288.0p		02/06/2013	01/12/2013
	51,505	21,684	–	(23,165)	50,024				

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year was £124,003 and £63,820 respectively.

Long term incentives

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

	At 26 Feb 2011	Awarded in year	Lapsed in year	Exercised in year	At 3 Mar 2012	Market price at date of award	Market price at date of exercise	Date from which exercisable	Expiry date
Alan White	277,200	–	–	(277,200)	– ¹	180.0p	275.5p	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
	–	194,434	–	–	194,434 ¹	275.0p		08/07/2014	07/01/2015
	694,027	194,434	–	(277,200)	611,261				
Dean Moore	145,530	–	–	(145,530)	– ¹	180.0p	270.9p	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
	–	109,467	–	–	109,467 ¹	275.0p		08/07/2014	07/01/2015
	372,121	109,467	–	(145,530)	336,058				

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

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year was £763,686 and £394,241 respectively.

Remuneration Report

Value creation plan

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

	At 26 Feb 2011	Awarded in year	Lapsed in year	Exercised in year	At 3 Mar 2012	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 was subject to performance conditions geared to Total Shareholder Return and growth in earnings per share which was not achieved and therefore these awards lapsed.
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 3 Mar 2012 Ordinary Shares of 11 ¹ / ₁₉ p each	At 26 Feb 2011 Ordinary Shares of 11 ¹ / ₁₉ 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	760,316	688,894
Dean Moore	224,572	202,670
Nigel Alliance OBE	24,658,313	24,658,313
Nigel Alliance OBE (non beneficial)	6,830,943	6,830,943
Ivan Fallon	10,000	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 3 Mar 2012	At 26 Feb 2011
N Brown Group plc No.2 Employee Share Ownership Trust	1,700,000	1,718,287

There have been no changes in the above interests of the directors between the year end and 30 April 2012.

Approval

This report was approved by the board of directors on 18 May 2012 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 group financial statements of N Brown Group plc for the 53 weeks ended 3 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Reconciliation of Operating Profit to Net Cash from Operating Activities and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 group 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 group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are

appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 3 March 2012 and of its profit for the 53 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other 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 53 week period for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Director's Report, in relation to going concern;
- the part of the Corporate Governance

Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matters

We have reported separately on the parent company financial statements of N Brown Group plc for the 53 week period ended 3 March 2012.

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

Chartered Accountants and
Statutory Auditor
Manchester, UK

18 May 2012

Consolidated Income Statement

For the 53 weeks ended 3 March 2012	Note	2012 £m	2011 £m
Revenue	3	753.2	718.8
Operating profit	5	102.0	102.6
Investment income	7	4.3	4.1
Finance costs	8	(10.7)	(8.5)
Profit before taxation and fair value adjustments to financial instruments		95.6	98.2
Fair value adjustments to financial instruments	18	1.3	(3.7)
Profit before taxation		96.9	94.5
Taxation	9	(15.9)	(22.8)
Profit attributable to equity holders of the parent		81.0	71.7
Adjusted earnings per share	11		
Basic		28.91p	27.02p
Diluted		28.88p	26.98p
Earnings per share	11		
Basic		29.28p	26.04p
Diluted		29.24p	26.00p

Consolidated Statement of Comprehensive Income

For the 53 weeks ended 3 March 2012	Note	2012 £m	2011 £m
Profit for the period		81.0	71.7
Other items of comprehensive income			
Exchange differences on translation of foreign operations		(0.2)	(0.6)
Actuarial losses on defined benefit pension schemes	28	(6.2)	(2.3)
Tax relating to components of other comprehensive income	9	1.6	0.6
		(4.8)	(2.3)
Total comprehensive income for the period attributable to equity holders of the parent		76.2	69.4

Consolidated Balance Sheet

As at 3 March 2012	Note	2012 £m	2011 £m
Non-current assets			
Intangible assets	12	62.8	52.2
Property, plant & equipment	13	67.2	69.1
Retirement benefit surplus	28	–	3.3
Deferred tax assets	20	1.9	3.5
		131.9	128.1
Current assets			
Inventories	15	82.6	78.1
Trade and other receivables	16	522.0	490.8
Cash and cash equivalents	24	57.5	49.1
		662.1	618.0
Total assets		794.0	746.1
Current liabilities			
Bank loans and overdrafts	17	–	(40.0)
Trade and other payables	21	(106.6)	(114.5)
Derivative financial instruments	18	(0.1)	(1.4)
Current tax liability		(22.9)	(28.8)
		(129.6)	(184.7)
Net current assets		532.5	433.3
Non-current liabilities			
Bank loans	17	(250.0)	(190.0)
Retirement benefit obligation	28	(1.0)	–
Deferred tax liabilities	20	(11.1)	(11.0)
		(262.1)	(201.0)
Total liabilities		(391.7)	(385.7)
Net assets		402.3	360.4
Equity			
Share capital	22	31.3	31.0
Share premium account		11.0	11.0
Own shares	23	(1.5)	(1.2)
Foreign currency translation reserve		1.9	2.1
Retained earnings		359.6	317.5
Total equity		402.3	360.4

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 18 May 2012.

They were signed on its behalf by:

Alan White

Dean Moore

Directors

Consolidated Cash Flow Statement

For the 53 weeks ended 3 March 2012	Note	2012 £m	2011 £m
Net cash from operating activities		56.5	57.4
Investing activities			
Purchases of property, plant and equipment		(5.7)	(6.4)
Purchases of intangible assets		(19.2)	(15.7)
Acquisition of subsidiary		–	(10.3)
Interest received		0.1	0.2
Net cash used in investing activities		(24.8)	(32.2)
Financing activities			
Interest paid		(7.9)	(4.2)
Dividends paid		(35.0)	(31.5)
Increase in bank loans		20.0	–
Purchase of shares by ESOT		(1.0)	(0.8)
Proceeds on issue of shares held by ESOT		0.6	0.5
Net cash used in financing activities		(23.3)	(36.0)
Net increase/(decrease) in cash and cash equivalents		8.4	(10.8)
Cash and cash equivalents at beginning of period		49.1	59.9
Cash and cash equivalents at end of period	24	57.5	49.1

Reconciliation of Operating Profit to Net Cash from Operating Activities

For the 53 weeks ended 3 March 2012	2012 £m	2011 £m
Operating profit	102.0	102.6
Adjustments for:		
Depreciation of property, plant and equipment	7.6	7.8
Amortisation of intangible assets	8.6	6.9
Share option charge	2.2	2.1
Operating cash flows before movements in working capital	120.4	119.4
Increase in inventories	(4.5)	(12.0)
Increase in trade and other receivables	(30.7)	(29.8)
(Decrease)/increase in trade and other payables	(7.5)	3.7
Pension obligation adjustment	(1.6)	(7.4)
Cash generated by operations	76.1	73.9
Taxation paid	(19.6)	(16.5)
Net cash from operating activities	56.5	57.4

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 53 weeks ended 3 March 2012						
Balance as at 26 February 2011	31.0	11.0	(1.2)	2.1	317.5	360.4
Profit for the period	–	–	–	–	81.0	81.0
Other items of comprehensive income for the period	–	–	–	(0.2)	(4.6)	(4.8)
Total comprehensive income for the period	–	–	–	(0.2)	76.4	76.2
Equity dividends	–	–	–	–	(35.0)	(35.0)
Issue of ordinary share capital	0.3	–	–	–	–	0.3
Purchase of own shares by ESOT	–	–	(1.3)	–	–	(1.3)
Issue of own shares by ESOT	–	–	1.0	–	–	1.0
Adjustment to equity for share payments	–	–	–	–	(0.4)	(0.4)
Share option charge	–	–	–	–	2.2	2.2
Tax on items recognised directly in equity	–	–	–	–	(1.1)	(1.1)
Balance at 3 March 2012	31.3	11.0	(1.5)	1.9	359.6	402.3
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

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 53 weeks ended 3 March 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU.

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

Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting the financial statements

The following amendments were made as part of Improvements to IFRSs (2010).

Amendment to IFRS 7 Financial Instruments: Disclosures. The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets. The impact of this amendment has been to reduce the level of disclosure provided on collateral that the entity holds as security on financial assets that are past due or impaired.

Standards not affecting the reported results nor the financial position

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, with the exception of the amendment to IFRS 1, may impact the accounting for future transactions and arrangements.

Amendment to IFRS 1 - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. The amendment

provides a limited exemption for first-time adopters from providing comparative fair-value hierarchy disclosures under IFRS 7.

IAS 24 (2009) - Related Party Disclosures. The revised standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.

Amendment to IAS 32 - Classification of Rights Issues. Under the amendment, rights issues of instruments issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity.

Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement. The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions.

Improvements to IFRSs 2010. Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact on the group.

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 1 (amended): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 7 (amended): Disclosures – Transfers of Financial Assets
- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IAS 1 (amended): Presentation of Items of Other Comprehensive Income
- IAS 12 (amended): Deferred Tax: Recovery of Underlying Assets
- IAS 19 (revised): Employee Benefits
- IAS 27 (revised): Separate Financial Statements
- IAS 28 (revised): Investments in Associates and Joint Ventures
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments;
- IFRS 12 will impact the disclosure of interests the group has in other entities;
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures; and
- IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the group's total obligation. It is likely that following the replacement of expected returns on plan assets with a net finance cost in the income statement, the profit for the period will be reduced and accordingly other comprehensive income increased.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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.

Notes to the Group Accounts

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 2012 means at 3 March 2012 or the 53 weeks then ended; reference to 2011 means at 26 February 2011 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.

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 intangible assets and amortised on a straight-line basis over five years.

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

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

Notes to the Group Accounts

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

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

on the balance of capital repayments outstanding.

Inventories

Inventories have been valued at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing inventories to their present location and condition based on the standard costing method. Cost has been calculated on a first-in-first-out basis. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period

when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income

Notes to the Group Accounts

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.

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 the 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.

Notes to the Group Accounts

Inventory

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

Pensions

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

to these rates could have a significant impact on the net deficit.

Going concern

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

The group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the audited financial statements. These have been appraised in light of the uncertainty in the current economic climate. As such, conservative assumptions for working capital

performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key 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 £370m. The group's loan facilities have been renewed during the year and are committed until 2016. 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.

	2012 £m	2011 £m
3 Revenue		
An analysis of the group's revenue is as follows:		
Sale of goods	534.8	523.7
Rendering of services	218.4	195.1
Revenue	753.2	718.8
Investment income	4.3	4.1
Total revenue	757.5	722.9

Notes to the Group Accounts

4 Business segments	2012 £m	2011 £m
Revenue		
Home Shopping	753.2	718.8
Operating profit		
Segment result & operating profit – Home Shopping	102.0	102.6
Fair value adjustments to financial instruments	1.3	(3.7)
Investment income	4.3	4.1
Finance costs	(10.7)	(8.5)
Profit before taxation	96.9	94.5
Taxation	(15.9)	(22.8)
Profit after tax	81.0	71.7

The group has one business segment and one significant geographical segment that operates in and derives revenue from UK and Ireland. Revenue derived from international markets amounted to £8.4m (2011, £4.2m) and incurred operating losses of £4.8m (2011, £2.3m). All segment assets are located in the 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 (2011, £nil).

Other information

	2012 £m	2011 £m
Capital additions	24.9	30.8
Depreciation and amortisation	16.2	14.7
Balance sheet		
Total segment assets	792.1	742.6
Total segment liabilities	(357.7)	(345.9)
Segment net assets	434.4	396.7
Unallocated assets	1.9	3.5
Unallocated liabilities	(34.0)	(39.8)
Consolidated net assets	402.3	360.4

Notes to the Group Accounts

5 Profit for the period	2012	2011
	£m	£m
Continuing operations		
Revenue	753.2	718.8
Cost of sales	(354.2)	(331.8)
Gross profit	399.0	387.0
Distribution costs	(64.8)	(62.9)
Sales and administration costs	(232.2)	(221.5)
Operating profit	102.0	102.6

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

	2012	2011
	£m	£m
Net foreign exchange gains	(2.9)	(3.0)
Depreciation of property, plant and equipment	7.6	7.8
Amortisation of intangible assets	8.6	6.9
Cost of inventories recognised as expense	227.5	216.9
Staff costs	77.7	72.9
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 £0.4m (2011, £0.8m).

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

	2012	2011
	£m	£m
Audit fees:		
The audit of the company's subsidiaries pursuant to legislation	0.2	0.2
Other services:		
Tax services	0.4	0.8

Fees payable for tax services relate to tax advisory services of £0.3m (2011, £0.7m) and compliance of £0.1m (2011, £0.1m).

Fees payable to the company's auditor for the audit of the company's annual accounts were £10,000 (2011, £10,000).

In addition to the amounts shown above, the auditors received fees of £5,000 (2011, £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 auditor.

6 Staff costs	2012	2011
The average monthly number of employees (including executive directors) was:		
Distribution	986	1,046
Sales and administration	2,283	2,210
	3,269	3,256
Their aggregate remuneration comprised	2012	2011
	£m	£m
Wages and salaries	64.4	63.4
Social security costs	7.3	6.9
Other pension costs (see note 28)	3.8	0.5
Share options costs (see note 27)	2.2	2.1
	77.7	72.9

Details of individual director's remuneration is disclosed in the remuneration report on page 35.

Notes to the Group Accounts

	2012 £m	2011 £m
7 Investment income		
Interest on bank deposits	0.1	0.2
Expected return on pension assets (see note 28)	4.2	3.9
	4.3	4.1
8 Finance costs		
Interest on bank overdrafts and loans	6.8	4.6
Interest on pension scheme liabilities (see note 28)	3.9	3.9
	10.7	8.5
9 Tax		
Current tax – charge for the period	25.5	25.3
Current tax – adjustment in respect of previous periods	(10.5)	(3.2)
Deferred tax (see note 20)	(0.9)	1.4
Deferred tax – adjustment in respect of previous periods (see note 20)	1.8	(0.7)
	15.9	22.8

UK Corporation tax is calculated at 26.17% (2011, 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:

	2012 £m	2011 £m
Profit before tax:	96.9	94.5
Tax at the UK corporation tax rate of 26.17% (2011, 28.0%)	25.4	26.4
Effect of change in deferred tax rate	(0.9)	(0.3)
Tax effect of expenses that are not deductible in determining taxable profit	0.5	1.1
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.4)	(0.5)
Tax effect of adjustments in respect of previous periods	(8.7)	(3.9)
Tax expense for the period	15.9	22.8

During the year the group has utilised tax losses of £6.5m (2011, nil) acquired with Figleaves Global Trading Limited.

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

	2012 £m	2011 £m
Deferred tax – retirement benefit obligations	(1.6)	(0.6)
Tax credit in the statement of comprehensive income	(1.6)	(0.6)
	2012 £m	2011 £m
Current tax – share based payments	(1.3)	(0.9)
Deferred tax – share based payments	2.4	(0.8)
Tax charge/(credit) in the statement of changes in equity	1.1	(1.7)

On 21 March 2012 the government announced that it intends to further reduce the rate of corporation tax to 24.0% with effect from 1 April 2012 and 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	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 26 February 2011 of 7.37p (2010, 6.41p) per share	20.3	17.7
Interim dividend for the 53 weeks ended 3 March 2012 of 5.29p (2011, 5.04p) per share	14.7	13.8
	35.0	31.5
Proposed final dividend for the 53 weeks ended 3 March 2012 of 7.74p (2011, 7.37p) per share	21.5	20.3

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

11 Earnings per share

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

Earnings	2012 £m	2011 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	81.0	71.7
	2012 Number	2011 Number
Number of shares ('000s)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	276,681	275,323
Effect of dilutive potential ordinary shares:		
Share options	367	466
Weighted average number of ordinary shares for the purposes of diluted earnings per share	277,048	275,789
	2012 £m	2011 £m
Adjusted earnings		
Net profit attributable to equity holders of the parent	81.0	71.7
Fair value adjustment to financial instruments (net of tax)	(1.0)	2.7
Adjusted earnings for the purposes of adjusted earnings per share	80.0	74.4

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 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
Additions	0.1	19.1	–	19.2
At 3 March 2012	16.9	128.1	1.9	146.9
Amortisation				
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
Charge for the period	–	8.6	–	8.6
At 3 March 2012	–	82.2	1.9	84.1
Carrying amount				
At 3 March 2012	16.9	45.9	–	62.8
At 26 February 2011	16.8	35.4	–	52.2
At 27 February 2010	8.9	27.3	0.1	36.3

Assets in the course of construction included in intangible assets at the year end total £13.8m (2011 £16.0m). No depreciation is charged on these assets.

All software additions relate to internal development. The brand additions of £0.1m relate to the acquisition of Dannimac and the Diva 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 5.7% (2011, 6.3%).

Notes to the Group Accounts

13 Property, plant and equipment	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
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
Additions	–	5.7	5.7
At 3 March 2012	46.2	105.2	151.4
Accumulated depreciation and impairment			
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
Charge for the period	1.0	6.6	7.6
At 3 March 2012	9.5	74.7	84.2
Carrying amount			
At 3 March 2012	36.7	30.5	67.2
At 26 February 2011	37.7	31.4	69.1
At 27 February 2010	38.7	30.2	68.9

Assets in the course of construction included in property, plant and equipment at the year end date total £1.8m (2011, £1.7m), no depreciation has been charged on these assets.

At 3 March 2012, the group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011, £nil).

14 Subsidiaries

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

15 Inventories	2012 £m	2011 £m
Finished goods	78.7	73.2
Sundry stocks	3.9	4.9
	82.6	78.1

Notes to the Group Accounts

16 Trade and other receivables	2012 £m	2011 £m
Amount receivable for the sale of goods and services	551.1	519.6
Allowance for doubtful debts	(49.3)	(45.1)
	501.8	474.5
Other debtors and prepayments	20.2	16.3
	522.0	490.8

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 243 days (2011, 241 days). Interest is charged at 39.9% (2011, 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 £66.5m at 3 March 2012 (2011, £59.9m).

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	2012 £m	2011 £m
Current	418.1	381.4
0 – 28 days	64.5	69.3
29 – 56 days	28.5	25.5
57 – 84 days	16.4	16.0
85 – 112 days	11.8	13.4
Over 112 days	11.8	14.0
Total	551.1	519.6

Movement in the allowance for doubtful debts	2012 £m	2011 £m
Balance at the beginning of the period	45.1	47.0
Amounts charged net to the income statement	58.0	53.1
Net amounts written off	(53.8)	(55.0)
Balance at the end of the period	49.3	45.1

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.5 million (2011, 1.5 million) customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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	2012 £m	2011 £m
Bank loans and overdrafts	30.0	40.0
Bank loans	220.0	190.0
	250.0	230.0
The borrowings are repayable as follows:		
Within one year	–	40.0
In the second year	–	190.0
In the third to fifth year	250.0	–
Amounts due for settlement after 12 months	250.0	190.0
All borrowings are held in sterling		
	2012	2011
The weighted average interest rates paid were as follows:	%	%
Bank overdrafts	2.0	2.5
Bank loans	0.8	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 £220m (2011, £190m) secured by a charge over certain 'eligible' trade debtors (current and 0-28 days past due) of the group and is without recourse to any of the group's other assets. The facility has a current limit of £250m 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 £30m (2011, £40m) drawn down under a medium term bank revolving credit facility, which was renegotiated in November 2011, of £100 million committed until March 2016.

- (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 3 March 2012 the estimated future interest cost per annum until maturity would be £2.1m (2011, £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:

	2012 £m	2011 £m
On demand or within one year	2.1	41.6
In the second year	2.1	191.3
In the third to fourth year	2.1	–
In the fifth year	252.1	–
	258.4	232.9

At 3 March 2012, the group had available £120m (2011, £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:

	2012 £m	2011 £m
Notional amount – Sterling contract value	43.6	45.1
Fair value of liability recognised	(0.1)	(1.4)

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £1.3m (2011, charge of £3.7m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2011, 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 (2011, 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 24 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 22 to 23 and the statement of changes in equity.

Gearing ratio

The gearing ratio at the year end is as follows:

	2012 £m	2011 £m
Debt	250.0	230.0
Cash and cash equivalents	(57.5)	(49.1)
Net Debt	192.5	180.9
Equity	402.3	360.4
Gearing ratio	48%	50%

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:

	2012 £m	2011 £m
Less than 6 months	20.7	22.4
6 to 12 months	17.9	17.6
12 to 18 months	5.0	5.1
	43.6	45.1

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.56 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:

£m	Liabilities		Assets	
	2012 £m	2011 £m	2012 £m	2011
Euro	2.0	2.0	11.0	10.5
US dollar	4.6	0.6	4.7	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 director's 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	
	2012 £m	2011 £m	2012 £m	2011 £m
Income statement				
Sterling strengthens by 10%	1.0	1.1	-	-
Sterling weakens by 10%	(0.8)	(0.7)	-	-

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 53 weeks ended 3 March 2012 would decrease by £1.25m (2011, £1.1m).

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. Investments of cash surpluses, borrowings and derivative financial instruments are made through banks which are approved by the board.

All customers who wish to trade on credit terms are subject to credit verification procedures, supplied by independent rating agencies. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The concentration of credit risk is limited due to the customer base being large and unrelated, and did not exceed five percent of gross monetary assets at any one time during the period.

Liquidity risk management

The group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 17 is a description of additional undrawn facilities that the group has at its disposal and details of the group's remaining contractual maturity for its non-derivative financial liabilities.

Fair value of financial instruments

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

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

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 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)
Credit/(charge) to income	0.6	–	(1.0)	(0.5)	–	(0.9)
(Charge)/credit to equity	(2.4)	–	–	1.6	–	(0.8)
At 3 March 2012	1.5	–	(8.5)	0.2	(2.4)	(9.2)

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:

	2012 £m	2011 £m
Deferred tax assets	1.9	3.5
Deferred tax liabilities	(11.1)	(11.0)
	(9.2)	(7.5)

At the balance sheet date, the group has unused tax losses of £0.1m (2011, £0.1m) and capital losses of £4.4m (2011, £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

	2012 £m	2011 £m
Trade payables	61.5	59.1
Other taxes and social security	14.7	22.5
Other creditors	0.4	3.6
Accruals and deferred income	30.0	29.3
	106.6	114.5

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 (2011, 40 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	2012 Number	2011 Number	2012 £m	2011 £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 26 February 2011	280,429,454	278,404,714	31.0	30.8
Ordinary shares issued	3,000,000	2,024,740	0.3	0.2
At 3 March 2012	283,429,454	280,429,454	31.3	31.0

During the year 3,000,000 (2011, 2,024,740) ordinary shares were issued to the N Brown Group plc Employee Share Ownership Trusts for £331,736 (2011, £223,784). The company has one class of ordinary shares which carry no right to fixed income.

23 Own shares	2012 £m	2011 £m
Balance at 26 February 2011	1.2	0.4
Additions	1.3	1.0
Issue of own shares on exercise of share options	(1.0)	(0.2)
Balance at 3 March 2012	1.5	1.2

The own shares reserve represents the cost of shares in N Brown Group plc held by the N Brown Group plc Employee Share Ownership Trusts to satisfy options under the group's various share benefit schemes (see note 27).

At 3 March 2012 the employee trusts held 5,911,974 shares in the company (2011, 4,693,021).

Notes to the Group Accounts

24 Cash and cash equivalents

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

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

	2012 £m	2011 £m
Sterling	50.2	46.5
Euro	2.7	1.8
US Dollar	4.6	0.8
	57.5	49.1

25 Contingent liabilities

Parent company borrowings which at 3 March 2012 amounted to £21.5m (2011, £15.2m) have been guaranteed by certain subsidiary undertakings.

26 Operating lease arrangements

	2012 £m	2011 £m
Minimum lease payments under operating leases recognised as an expense for the period	5.2	5.1

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:

	2012 £m	2011 £m
Within one year	0.9	0.5
In the second to fifth years inclusive	20.5	13.7
After five years	7.5	8.9
	28.9	23.1

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

Notes to the Group Accounts

27 Equity settled share based payments

The remuneration report on pages 29 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 2012	Number of shares 2011
Option scheme				
2000 Savings related scheme	186 – 269	August 2011 – February 2016	1,639,816	1,620,210
2000 Executive scheme	106 – 341	June 2007 – June 2021	1,797,485	1,873,864
Unapproved executive scheme	211 – 341	May 2009 – June 2021	1,104,730	821,539
Value Creation Plan	–	February 2014 – February 2019	–	3,100,000
Long-term incentive scheme awards				
July 2008	–	July 2011 – January 2012	–	1,550,452
May 2009	–	May 2012 – November 2012	1,166,576	1,266,996
July 2010	–	July 2013 – January 2014	1,180,129	1,294,758
July 2011	–	July 2014 – January 2015	1,158,928	–
Deferred annual bonus scheme awards				
May 2009	–	May 2011 – November 2011	–	252,348
May 2010	–	May 2012 – November 2012	299,365	323,450
June 2011	–	June 2013 – December 2013	233,926	–

Notes to the Group Accounts

27 Equity settled share based payments continued

Movements in share options are summarised as follows:

	2012		2011	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	4,315,613	2.24	3,944,346	2.13
Granted during the period	1,544,936	2.65	1,064,701	2.40
Forfeited during the period	(521,491)	2.00	(297,140)	2.43
Exercised during the period	(797,027)	2.33	(396,294)	1.37
Outstanding at the end of the period	4,542,031	2.39	4,315,613	2.24
Exercisable at the end of the period	611,602	2.34	493,857	1.86

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 264 pence (2011, 260 pence). The options outstanding at 3 March 2012 had a weighted average remaining contractual life of 6.0 years (2011, 5.8 years). The aggregate estimated fair values of options granted in the period is £1,041,000 (2011, £629,000).

Movements in management share awards are summarised as follows:

	2012		2011	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	7,788,004	–	7,211,920	–
Granted during the period	1,493,670	–	1,618,208	–
Forfeited during the period	(3,427,987)	–	(56,340)	–
Exercised during the period	(1,814,763)	–	(985,784)	–
Outstanding at the end of the period	4,038,924	–	7,788,004	–
Exercisable at the end of the period	–	–	–	–

The awards outstanding at 3 March 2012 had a weighted average remaining contractual life of 4.0 years (2011, 4.2 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:

	2012	2011
Weighted average share price at date of grant (pence)	278	252
Weighted average exercise price (pence)	135	95
Expected volatility (%)	41.0	38.3
Expected life (years)	2.5 – 5.5	2.5 – 5.5
Risk-free rate (%)	1.5	1.5
Dividend yield (%)	4.4	4.3

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 £2.2m and £2.1m related to equity-settled share based payment transactions in 2012 and 2011 respectively.

Notes to the Group Accounts

28 Retirement benefit schemes

Defined contribution schemes

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

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

The total cost charged to income of £2.0m (2011, £1.8m) represents contributions payable to the schemes by the group at rates specified in the rules of the plans. As at 3 March 2012, contributions of £0.2m (2011, £0.2m) 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:

	2012	2011
Discount rate	4.8%	5.6%
Expected return on scheme assets	4.6%	5.7%
Expected rate of salary increase	4.4%	4.8%
Future pension increases	2.4%	2.4%
Inflation – Retail Price Index	3.4%	3.8%
Inflation – Consumer Price Index	2.4%	2.8%
Life expectancy at age 65 (years)		
Pensioner aged 65	23.8	23.8
Non-pensioner aged 45	26.8	26.8
	2012	2011
	£m	£m
Amounts recognised in income in respect of these defined benefit schemes are as follows:		
Current service cost	1.8	1.6
Interest cost	3.9	3.9
Expected return on scheme assets	(4.2)	(3.9)
Gains on settlements	–	(2.9)
	1.5	(1.3)

Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial losses since transition to IFRS were £0.1m (2011, actuarial gains of £6.1m).

The actual return on scheme assets was a gain of £8.4m (2011, gain of £7.3m).

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

28 Retirement benefit schemes continued

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

	2012 £m	2011 £m
Present value of defined benefit obligations	(83.3)	(68.5)
Fair value of scheme assets	82.3	71.8
(Deficit)/surplus in the scheme and (liability)/asset recognised in the balance sheet	(1.0)	3.3

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

	2012 £m	2011 £m
At 26 February 2011	68.5	66.0
Service cost	1.8	1.6
Interest cost	3.9	3.9
Actuarial losses	10.4	5.7
Liabilities extinguished on settlements	-	(6.2)
Benefits paid	(1.3)	(2.5)
At 3 March 2012	83.3	68.5

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

	2012 £m	2011 £m
At 26 February 2011	71.8	64.2
Expected return on scheme assets	4.2	3.9
Actuarial gains	4.2	3.4
Assets distributed on settlements	-	(3.3)
Contributions from sponsoring companies	3.4	6.1
Benefits paid	(1.3)	(2.5)
At 3 March 2012	82.3	71.8

Notes to the Group Accounts

28 Retirement benefit schemes continued

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

	Expected Return		Fair value of assets	
	2012 %	2011 %	2012 £m	2011 £m
Equities	6.8	6.8	39.5	38.1
Bonds	2.6	4.5	41.2	33.7
Cash	0.5	–	1.6	–
	4.6	5.7	82.3	71.8

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

The history of experience adjustments is as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	(83.3)	(68.5)	(66.0)	(50.8)	(56.8)
Fair value of scheme assets	82.3	71.8	64.2	46.8	51.0
(Deficit)/surplus in the scheme	(1.0)	3.3	(1.8)	(4.0)	(5.8)
Experience adjustments on scheme liabilities Amount (£m)	–	–	2.2	–	–
Percentage of scheme liabilities (%)	0%	0%	3%	0%	0%
Difference between expected and actual return on scheme assets: Amount (£m)	4.2	3.4	10.6	(11.7)	(3.5)
Percentage of scheme assets (%)	5%	5%	16%	(25%)	(7%)

The estimated amounts of contributions expected to be paid to the scheme during the 52 week period ending 2 March 2013 is £3.4m.

29 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the company and its subsidiaries are disclosed in the company's separate financial statements. Details of remuneration paid to the group's key management personnel is given on page 35 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 53 weeks ended 3 March 2012 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 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 parent company 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 3 March 2012;
- 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 year 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.

Other matters

We have reported separately on the group financial statements of N Brown Group plc for the year ended 3 March 2012.

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

18 May 2012

Company Balance Sheet

As at 3 March 2012	Note	2012 £m	2011 £m
Fixed assets			
Investments	3	267.9	267.9
		267.9	267.9
Current assets			
Debtors	4	100.1	103.4
		100.1	103.4
Creditors			
Amounts falling due within one year	5	(233.5)	(270.0)
Net current liabilities		(133.4)	(166.6)
Total assets less current liabilities		134.5	101.3
Non current liabilities			
Bank loans	6	(30.0)	–
Net assets		104.5	101.3
Capital and reserves			
Called-up share capital	7	31.3	31.0
Share premium account	8	11.0	11.0
Profit and loss account	8	62.2	59.3
Equity shareholders' funds		104.5	101.3

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 18 May 2012.

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 3 March 2012 of £38.3m (2011, profit £34.8m).

The non executive directors' remuneration was £206,000 (2011, £206,000) and six non executive directors were remunerated (2011, 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 (2011, £10,000) was borne by subsidiary undertakings.

3 Fixed asset investment

£m

Cost and net book value

At 3 March 2012 and at 26 February 2011

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 of the below companies 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
Speciality Home Shopping (US) Limited	Direct home shopping retailer	England	100

Notes to the Company Accounts

4 Debtors	2012 £m	2011 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	99.6	103.3
Prepayments and accrued income	0.5	0.1
	100.1	103.4
	2012 £m	2011 £m
5 Creditors		
Amounts falling due within one year:		
Bank loans and overdrafts	21.5	55.2
Trade creditors	0.4	1.0
Amounts owed to group undertakings	211.3	213.6
Accruals and deferred income	0.3	0.2
	233.5	270.0
	2012 £m	2011 £m
6 Bank loans		
Bank overdrafts	21.5	15.2
Bank loans	30.0	40.0
	51.5	55.2
The borrowings are repayable as follows:		
On demand within one year	21.5	55.2
In the second year	–	–
In the third to fifth year	30.0	–
	51.5	55.2
Less: amounts due for settlement within 12 months (shown under current liabilities)	(21.5)	(55.2)
Amounts due for settlement after 12 months	30.0	–
<p>The company has unsecured bank loans of £30m (2011, £40m) drawn down under a medium term bank revolving credit facility committed until March 2016.</p> <p>At 3 March 2012, the company had available £90m (2011, £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>		
	2012 %	2011 %
Bank overdrafts	2.0	2.5
Bank loans	1.4	1.0

Notes to the Company Accounts

7 Share capital	2012 Number	2011 Number	2012 £m	2011 £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 26 February 2011	280,429,454	278,404,714	31.0	30.8
Ordinary shares issued	3,000,000	2,024,740	0.3	0.2
At 3 March 2012	283,429,454	280,429,454	31.3	31.0

During the year 3,000,000 (2011, 2,024,740) ordinary shares were issued to the N Brown Group Employee Share Ownership Trusts for £331,736 (2011, £223,784). 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 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
Balance at 26 February 2011	31.0	11.0	59.3	101.3
Dividends paid	–	–	(35.4)	(35.4)
Profit for the financial period	–	–	38.3	38.3
Increase in share capital	0.3	–	–	0.3
At 3 March 2012	31.3	11.0	62.2	104.5

9 Guarantees

Parent company borrowings which at 3 March 2012 amounted to £21.5m (2011, £15.2m) 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

2011	11 October	Announcement of interim results
	9 December	Closing of register for interim dividend
2012	6 January	Payment of interim dividend
	3 March	Financial year-end
	1 May	Preliminary announcement of annual results
	31 May	Publication of 2012 annual report and accounts
	29 June	Closing of register for final dividend
	3 July	Annual general meeting
	27 July	Payment of final dividend

Registered Office

Griffin House
40 Lever Street
Manchester
M60 6ES
Registered No. 814103
Telephone 0161 236 8256

Registrars

Capital IRG plc
The Registry
34 Beckenham Road
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.

AMBROSE
WILSON

HOUSE OF
BATH

Julipa
your personal department store

figleaves

SimplyBe

Jwilliams

fashion
WORLD

Marisota*

GRAY & OSBOURN

Jacamo

HIGH
AND
MIGHTY
CLOTHES MAKE THE MAN

Premier
MAN

oxendales

Fifty plus

Griffin House
40 Lever Street
Manchester, M60 6ES

www.nbrown.co.uk