

3 BEAUTIFUL FIGURES 5



2013

24%

more sales from
new customers

3.0m

people shopping with us

£6m

extra invested in tomorrow



GROWING CUSTOMER GROUPS

THE NUMBERS SAY IT ALL

Contents

| | |
|----|--|
| 02 | Financial Highlights |
| 03 | Five Year History |
| 04 | Our Success Stories |
| 08 | Chairman's Statement |
| 10 | Chief Executive's Review |
| 14 | Financial Review |
| 16 | Directors and Officers |
| 18 | Directors' Report |
| 28 | Corporate Governance Report |
| 33 | Remuneration Report |
| 43 | Independent Auditor's Report – Group Accounts |
| 44 | Consolidated Income Statement |
| 44 | Consolidated Statement of Comprehensive Income |
| 45 | Consolidated Balance Sheet |
| 46 | Consolidated Cash Flow Statement |
| 46 | Reconciliation of Operating Profit to Net Cash from Operating Activities |
| 47 | Consolidated Statement of Changes in Equity |
| 48 | Notes to the Group Accounts |
| 72 | Independent Auditor's Report – Company Accounts |
| 73 | Company Balance Sheet |
| 74 | Notes to the Company Accounts |
| | IBC Shareholder Information |

2013 has been the year we can start to see the rewards of all our hard work with the fastest revenue growth since 2009. This is the welcome result of all our investments in our brands, our online services and technologies, high street stores and international expansion.

Behind the scenes, we've been busy testing, refining and developing our initiatives, and as sales continue to rise, we're seeing positive results across the business. But there'll be no resting on our laurels – we'll be redoubling our efforts in all areas, and putting every effort into delighting our customers.

Our online channels now account for 55% of our overall business, with 26% (and counting) of website traffic arriving via mobile devices. Good news too from America, where annual sales have risen by 75%. High street stores for Simply Be and Jacamo are looking promising.

Finally, we have changes in our management team. Lord Alliance, after 49 years as the Chairman and major shareholder of the business, has stepped down, and our new Chairman is Andrew Higginson, former Executive Director of Tesco. Our Chief Executive, Alan White, will also retire later this year. In his place will stand Angela Spindler, currently the Chief Executive of The Original Factory Shop. We warmly welcome both Andrew and Angela aboard and wish them every success going forward.

2013

FINANCIAL HIGHLIGHTS

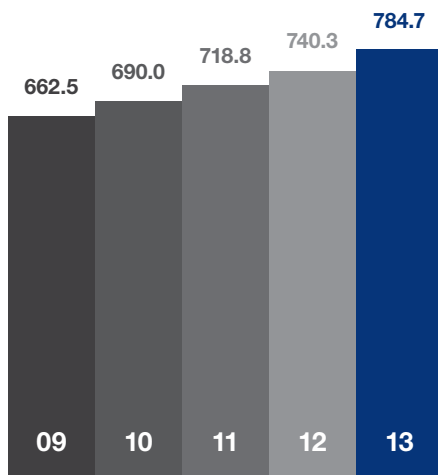
| Financial Highlights | 2013 (52 weeks) | 2012 (52 weeks) | 2012 (53 weeks) |
|----------------------------------|------------------------|------------------------|------------------------|
| Revenue | £784.7m | £740.3m | £753.2m |
| Operating profit | £102.2m | £99.1m | £102.0m |
| Adjusted profit before taxation* | £95.1m | £92.7m | £95.6m |
| Profit before taxation | £96.4m | £94.0m | £96.9m |
| Adjusted earnings per share** | 28.15p | 28.16p | 28.91p |
| Earnings per share | 28.51p | 28.52p | 29.28p |
| Dividends per share | 13.68p | 13.03p | 13.03p |
| Net assets | £446.0m | £402.3m | £402.3m |
| Net asset value per share | 157.4p | 141.9p | 141.9p |
| Gearing | 42% | 48% | 48% |

* Excluding fair value adjustments to financial instruments.

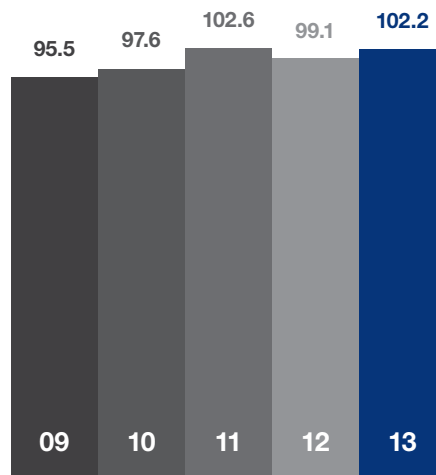
** See note 11 on page 56.

5 YEAR HISTORY

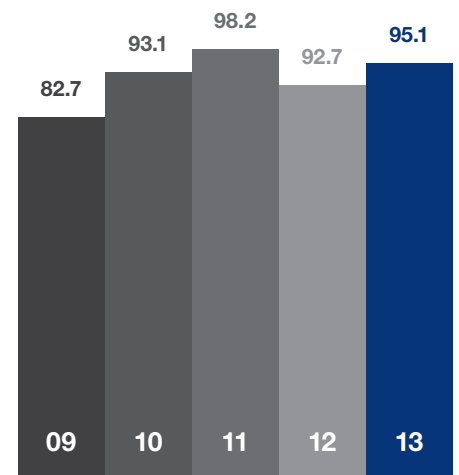
Revenue –
Continuing operations (£m)



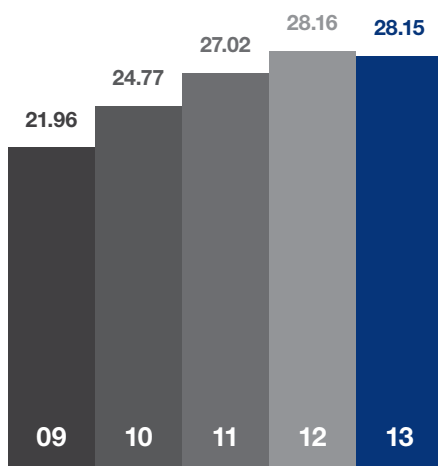
Operating profit –
Continuing operations (£m)



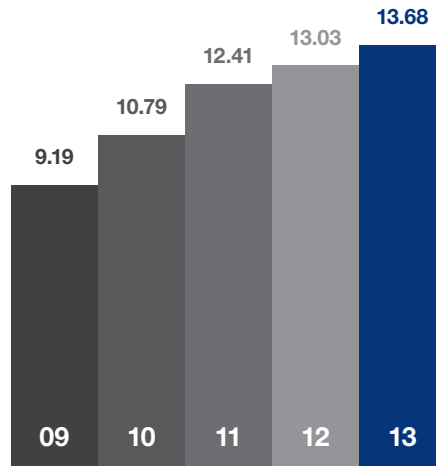
Pre-tax profit* –
Continuing operations (£m)



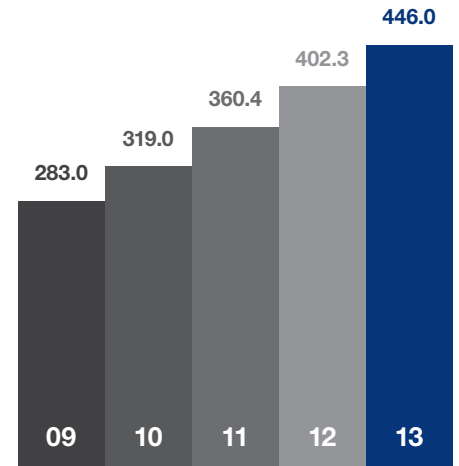
Adjusted earnings per share**
– Continuing operations (p)



Dividends per share (p)



Net assets (£m)



* Excluding fair value adjustments to financial instruments.

** See note 11 on page 56.

*** 2012 figures based on 52 week numbers.

OUR SUCCESS STORIES

Agility has become a key business skill in this new age of retail progress. But as the figures show, being flexible and receptive to change hasn't meant getting smaller. On the contrary. We've seen good growth in sales, with plenty more exciting developments across the business.

NEW STORES

We're going places on the high street



We've opened five new Simply Be stores and introduced the Jacamo brand to five of the seven stores now open. The dual fascia format has shown encouraging results so far, attracting new customers both to the stores and online. We are reviewing the business model in preparation for further expansion.

A bigger US reach

Things stateside are just getting better, with 75% annual sales growth in the US. Simply Be is going from strength to strength. We've launched Marisota online, and we'll also be launching Jacamo for direct mail.

These are exciting times for our brands overseas, and we've got every reasonable expectation of their ongoing success.

75%

US GROWTH

£1,000,000's OF SALES

THE PERFECT FIT

We're looking good. In fact, we've never looked better. Our uniquely innovative approach to fit-oriented fashion continues to pay off.

This is how sales are taking shape.

£100m

Menswear sales up 8%

£87m

Footwear sales up 5%

£362m

Ladieswear sales up 1%

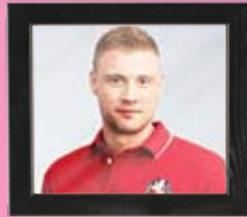
OUR SUCCESS STORIES

Real star quality

Freddie, Dannii, Claire and Coleen. Inspiring people, fresh ideas, cutting-edge design.

Superb collections from our celebrity designers continue to keep us relevant and aspirational. Freddie Flintoff is continuing his good work for Jacamo's Flintoff range. Dannii Minogue's 'Project D' fashion line in larger sizes has been launched exclusively in Simply Be.

Coleen Nolan is on-board with Marisota and doing great things. Claire Richards from the band, Steps, is our brand ambassador for Fashion World.



INSPIRING
CELEBRITIES



It's a lifestyle thing

Customers are loving our new ranges of gifts and homeware. 'The Brilliant Gift Shop' is really living up to its name, and winning over more and more customers with everything from jewellery and toys to crafts and technology.

OF BRAND
NEW LINES



We've never been better connected

Our websites now account for 55% of our overall business.

The mobile-optimisation of our sites is also bringing in results, and 26% of website visits are from mobile devices – a figure which will increase as more customers take advantage of the speed, ease and convenience of shopping 'on the move'.



New faces at the top

Progress brings positive change, and as our business adapts, so does our leadership team. Lord Alliance remains on our board of directors, but has stepped down as Chairman to make way for Andrew Higginson, former Executive Director of Tesco. Andrew is a strong commercial strategist, and his experience in modern-day retailing is sure to serve us extremely well.

Our Chief Executive, Alan White, will also leave us later this year. Alan has led the business since 2002, and his legacy is a thriving and progressive

business which is one of the leading online retailers.

In his place will stand Angela Spindler, the Chief Executive of The Original Factory Shop, who has had a blue chip retail career with Debenhams, Asda, Coca Cola and Mars.

Our people and our success are intertwined, and every achievement past, present and future is a direct result of our leadership strengths and retail strategy. We warmly welcome Andrew and Angela onto our leadership team, and we wish Alan all the very best for the future.



NEW LEADERS

CHAIRMAN'S STATEMENT

We are pleased to report that the group made good trading progress throughout last year and that this has continued into the new financial year. This is despite the continuing difficulties in the economy as a whole and for consumers and retailers in particular.

We have achieved these positive results by maintaining a clear focus on improving the product, presentation, value and service to our customers. In addition we have invested heavily in our online systems, new customer recruitment, international expansion and concept stores which have the potential to be significant growth drivers in the medium term, although they reduce profits in the short term. The early signs from these activities look promising.

Financial Results

| £m | 52 wks 2013 | 53 wks 2012 | % | 52 wks 2012 | % |
|------------------------------------|----------------|----------------|------|----------------|------|
| Revenue | 784.7 | 753.2 | +4.2 | 740.3 | +6.0 |
| Operating profit | 102.2 | 102.0 | +0.2 | 99.1 | +3.1 |
| Adjusted profit before taxation | 95.1 | 95.6 | -0.5 | 92.7 | +2.6 |
| Adjusted earnings per share (p) | 28.15 | 28.91 | -2.6 | 28.16 | - |

Total group revenue increased by 6.0% to £784.7m versus the 52 week comparative and by 5.5% on a like-for-like basis, excluding the non-comparable periods for newly opened stores. Having seen a reduction in the rate of gross margin in the first half of 1.6%, an equivalent increase in the second half resulted in an unchanged rate for the year of 53.0%.

Operating profit was up by 3.1% to £102.2m, after accounting for losses of £6.8m from the expanded customer recruitment programme, international trading and the Simply Be/Jacamo stores. Excluding these items core UK home shopping profit rose by 7.9% to £109.0m, despite the tough economic environment for consumers.

Profit before taxation was £96.4m (2012, £96.9m) but was up 2.6% to £95.1m after excluding the impact of the 53rd week last year and the fair value adjustments to financial instruments.

Adjusted earnings per share were 28.15p, almost identical to last year despite a slightly higher tax charge of 17.6% (2012, 16.4%). The board is proposing a final dividend of 8.23 pence per share, up 6.3% on last year, giving a total dividend for the year of 13.68 pence up by 5.0%, and covered 2.1 times.

Net borrowings at 2 March 2013 reduced to £188.7m (2012, £192.5m) despite the continuing higher level of capital expenditure of £25.0m, primarily for online and stores development.

Net finance costs increased from £6.4m to £7.1m, covered 14 times by operating profit. Gearing has fallen from 48% to 42% on net assets which have risen by 10.9% to £446.0m.

Trading Highlights

The results for the year show the benefit of a portfolio of brands and the breadth of our product range which has enabled us to allocate our marketing investment to those areas giving the best return. Consequently we have seen the fastest growth, 15%, from our younger brands, such as Simply Be, Jacamo and Fashion World, as it has been easier both to recruit new customers, predominantly online, and get higher sales from the existing customers. Conversely the brands targeted at the over 50's, such as JD Williams, Fifty Plus, Marisota and Julipa have exhibited slower growth, 1%, as these customers have continued to be cautious with their spending. However this group did increase revenue by 3% in the second half compared to flat sales in the first half.



The continued investment to make our websites match best practice has been rewarded with an increase of 15% in online revenue to £424m, which now represents 55% of home shopping revenue. The increase also reflects the cultural changes we are making in the business to have everyone thinking from a multi-channel perspective.

Revenue grew in all our major product categories. Ladieswear recovered from a first half decline to grow by 4% in the second half, and by 1% for the year as a whole. Footwear and menswear grew by 5% and 8% respectively, capitalising on our size and fit expertise. However the fastest growth came from the home and gift category where sales grew by 15% and now account for 30% of group revenue. The more aggressive pricing policy on key value indicator lines in home and gift drove sufficient incremental volume to cover the lower rate of gross margin and, coupled with extensions to the product ranges, especially online exclusives, resulted in an encouraging performance.

Our international expansion is focused on building a presence in the USA, where revenue rose by 75% to £8.4m. We continue to believe there is a major strategic opportunity for the group to win a share of the \$35 billion plus size ladieswear market in the USA, and we are building the marketing and operational capability to achieve this.

We traded from seven Simply Be stores in the UK, three of which had a Jacamo menswear section, and these dual fascia stores have been the most successful. We are now evaluating the potential for rolling out this format in other major UK cities, recognising that they help to build brand awareness and online penetration in addition to the revenue transacted in the store.

Current Trading and Outlook

Sales for the 7 weeks to 20 April 2013 are up by 6.3% on last year and by 6.1% on a like-for-like basis. The cold weather in this period has had a significant negative impact on the sales of summer clothing but we have seen good performances from menswear and home and gift which have more than offset this issue.

We started the new financial year with a stronger customer base than a year ago as a result of the increased investment in customer recruitment. We intend to maintain this higher level of recruitment activity and continue to drive the proportion of our revenue transacted online through positive trading actions, whilst at the same time reducing the volume of catalogue mailings through our contact optimisation programme. The trading teams are being reorganised to give greater focus on the key brands and the product development required to deliver growth in market share. In addition we are looking to give our customers more choice by offering more options for payment, delivery and ways to contact us.

Dedicated websites for Marisota and Jacamo are being launched in the USA to complement Simply Be to deliver a more segmented offer and maintain high growth momentum, and Figleaves is also looking to boost sales there. We will identify possible new sites for UK store expansion in the autumn once we have fully evaluated the potential of this channel and developed the essential features for a roll-out.

There are also major projects underway to assess the requirements of our information technology systems and processes and the operational capacity to ensure we can manage our anticipated growth in the medium term.

Although we expect market conditions to remain challenging, based on the stronger customer file and the planned activities to drive further growth, the board remains confident in the outlook for the business. I would like to thank all stakeholders in the business for their contribution, and especially all of the staff for their hard work and dedication throughout the year.

Board Composition

My appointment to the board in July 2012 and accession to chairman in September 2012 was the start of a significant transformation of the board which will be completed during 2013. I succeeded Lord Alliance of Manchester CBE when he stepped down to the role of non-executive director after over 40 years as

chairman of the group. I have very much appreciated his wise counsel over the last few months.

Angela Spindler, currently the chief executive of The Original Factory Shop, will join N Brown Group as chief executive on 1 July 2013. She has had extensive retail and consumer experience at Coca Cola, Pedigree Petfoods, Asda and Debenhams. Angela will take over from our current chief executive, Alan White, who will retire to a plural career after 11 successful years as chief executive and after an appropriate handover period to effect a smooth transition.

Nigel Alliance OBE retired in December 2012 having been a director of the board since 1969 and Lord Stone of Blackheath stepped down after 10 years service on the board. We thank them both for an outstanding contribution.

We have now announced three new non-executive directors who will enhance the diversity of the board as well as ensure we comply with best practice in corporate governance. Ron McMillan was deputy chairman of PricewaterhouseCoopers in the Middle East and will become chair of audit later this year and also our senior independent director. Fiona Laird, the senior vice president of human resources at Unilever PLC, will chair the remuneration committee. Simon Patterson, managing director at Silver Lake, will chair the nominations committee and brings extensive knowledge of the global technology industry including digital media and e-commerce.

There has been significant change at the Board in the last few months. I wish to record my thanks and congratulations to the departing directors, particularly Alan White as CEO, who have delivered strong growth and returns for investors over the years. As the business continues its migration online, they have left strong foundations and I am confident that the new board has the right blend of skills and experience to build on those foundations and deliver growth in the future.



Andrew Higginson



The group has made good progress this year with the fastest rate of revenue growth since 2009. This has been achieved by investing in high levels of new customer recruitment, improving our product and promotional offers, especially online, and making progress with our key strategic initiatives.

The 53rd week last year delivered revenue of £12.9m and operating profit of £2.9m. The commentary below is all based on a comparison of 2012/13 with the 52 week version of 2011/12.

Revenue

Revenue growth has been delivered in our core home shopping business supplemented by increased contributions from our international and stores operations. For the 52 weeks ended 2 March 2013 group revenue was £784.7m, up by 6.0% in total and by 5.5% on a like-for-like basis. The growth in revenue accelerated as we progressed throughout the year, culminating in a strong second half which was up by 7.1% on a like-for-like basis.

Customer Groups

The key objective of our marketing activity this year was to restore growth to the customer file, and this has been successfully achieved. Sales from new customers increased by 24% during the year benefitting from an extra £6m of marketing investment in media costs compared with the previous year. The additional investment has been spent with the online search engines on “pay per click” recruits, which is now our single largest channel of recruitment, and for television airtime for direct response advertisements. Inevitably these methods of recruitment bring in younger than average customers.

In addition to the increased sales from new customers we also saw a 1% increase in orders from our established database and a 2% increase in the amount spent by each customer. We entered the new financial year with an active database of 6.4m customers, who are predominantly female with an average age of 57.

The number of those customers who had placed an order in the last year was up by 6%, a key indicator of future growth.

| Target Age | Revenue £m | % Change |
|--------------|------------|----------|
| 30-50 | 305 | 15 |
| Over 50 | 480 | 1 |
| Total | 785 | 6 |

Under 50 Customer Group

The brands in this customer segment continue to be the main contributors to the group’s overall revenue growth.

Simply Be is the largest brand in this segment with sales in excess of £122m and growth of 14% across all channels and geographies. It has the most fashion-conscious customers and our expertise is in recognising the latest trends and designing our clothing range to look good on customers whether they are size 14 or size 32. On average Simply Be’s customers are visiting the website every few days looking for new lines.

Jacamo is targeted at the brand-conscious thirty-something male who wants the convenience of online shopping and branded clothing in their size, and identifies with the fun-loving image of the brand, exemplified by Freddie Flintoff as our brand ambassador. This continues to be our fastest growing brand with sales up by 36%.

Fashion World’s customers, who are primarily from lower socio-demographic groups, have had a tough time in the last few years but a

Group revenue
up 6.0% to

£784.7m

Adjusted earnings
per share

28.15p

Total dividend
up 5.0% to

13.68p

revamp of the product range, a more contemporary feel to the catalogue and website and the use of celebrities such as Claire Sweeney and Claire Richards to promote the brand, have resulted in revenue growth of over 4%.

Figleaves, the leading online lingerie brand, has seen strong growth in profitability, managing its cost base extremely well on revenues which were slightly up.

50 Plus Customer Group

The 50 plus customer group has had a difficult time during the recession but there were signs of improvement in the second half, when revenue grew by 3%, resulting in a positive sales outcome for the year as a whole.

The strongest growth in this segment came from House of Bath, which sells an eclectic range of items for the home and garden, where revenue grew by 34%, built on very successful recruitment campaigns. There was also strong growth from Marisota which targets customers in their early 50's with a catalogue and website offering fitting solutions for clothing and footwear. The menswear brands, High & Mighty and Premier Man, saw modest growth. Our largest brand, JD Williams and its associated titles, which supply a wide range of products to customers who are typically retired, saw revenue fall by 5%, partly due to reductions in the recruitment budget in previous seasons. Julipa, focussed on our most traditional customers, had flat sales year on year.

Product Groups

| Category | Revenue £m | % of Total | % Change |
|--------------|---------------|---------------|-------------|
| Ladieswear | 362 | 46 | 1 |
| Footwear | 87 | 11 | 5 |
| Menswear | 100 | 13 | 8 |
| Home & Gift | 236 | 30 | 15 |
| Total | 785 | 100 | 6 |

In light of the lacklustre economy and the adverse weather conditions throughout most of last year it is pleasing that we have managed to grow revenue in all four product categories.

Ladieswear revenue grew by 1%. The global supply chain has settled down after the turbulent conditions in 2011 and this has helped us to have better balanced stock levels, resulting in higher full margin sales but fewer discounted sales. The impact of a very wet summer followed by a cold start to 2013 depressed sales but in between we had strong sales from our autumn ranges. We exploited our online capabilities to create fashion stories and capsule ranges to reflect the latest trends. In contrast the sales of occasionwear and higher priced garments were disappointing.

Footwear sales were up by 5% with the strongest growth from Viva La Diva, our online footwear portal, and men's footwear. The weather patterns resulted in strong boot sales but weak sandal sales.

Menswear continued its strong growth as it has done for each of the last 5 years, and broke through the £100m

barrier for the first time.

The use of Freddie Flintoff as a celebrity ambassador for Jacamo, including strong sales from his own range, contributed to the growth of younger menswear.

Home and gift sales had an excellent year with growth of 15%. Our strategy across all product groups was to sharpen our price points on easily comparable lines and this had the greatest effect on the home and gift revenue. In addition we have been using our supplier integration portal to significantly increase the number of lines available online with the product being despatched directly from the supplier. The aggregate impact of these changes was to drive much higher volumes at a lower rate of gross margin with a net benefit in terms of cash contribution. Within this category there were some excellent performances from electrical, furniture, homewares, toys and gifts.

Multi-channel

Online sales have increased as a proportion of our home shopping revenues by five percentage points or more for each of the last 8 years. Last year the proportion rose from 50% to 55% with online revenue rising by 15% to £424m, maintaining our position in the top division of internet retailers. The growth of online purchasing is partly down to global acceptance of digital media by consumers and we aim to accelerate this trend with our customers as it delivers increased revenue and lower operating costs. To this end we now

**Menswear sales
up 8% to**

£100m

**Ladieswear sales
up 1% to**

£362m

**Share of
online sales pass**

55%

recruit most customers through online campaigns, sponsoring approximately five million key words and phrases through online search engines coupled with sophisticated optimisation techniques. We also link our direct response television campaigns and our newspaper advertisements into our websites. We continue to expand the number of internet exclusive product lines and last year had 84,000 stock options which were never featured in a catalogue generating an incremental £42m of revenue. Last year saw an explosion in mobile access to the internet through the burgeoning sales of smartphones and tablet computers. We quickly adapted all our websites to be "mobile friendly" and by the year end 26% of all online sessions were being accessed from mobile devices, which accounted for 23% of the value of sales transacted. There is much evidence that the older consumer is adapting to tablet computers at a fast rate which will help to accelerate the switch from paper to digital media in the coming years.

The ideal scenario for the customer is to be able to switch seamlessly between channels without noticing any variation in the branding or service offer. As an example we saw the number of inbound calls to our contact centre decline by 9% but by offering the same affinity products to our telephone orderers as we do to our online customers we increased our add-on sales by £15m.

To be truly multi-channel requires a store portfolio and we are testing this concept for our younger brands in

targeted locations. During the year we opened a further five Simply Be stores and in addition we utilised some of the space in three of the stores for the Jacamo menswear range, which has done exceptionally well. Total revenue from the Simply Be/Jacamo stores was £4.6m with start-up losses of £2.2m. We are in the process of evaluating the incrementality of these sales, the positive halo effect on online sales and the projected return on capital achievable. Assuming this evaluation is positive we will look to open a limited number of stores in high footfall locations.

Our High & Mighty stores had revenue of over £9m, up by 5% despite tough trading conditions in many of the locations where they are trading. However more promotional activity resulted in a loss of £0.7m compared with our aspiration to reach breakeven.

International

Simply Be and Figleaves allow international orders to be placed on their websites from many parts of the world, but our overseas marketing is focussed on USA, Ireland and Germany. International sales amounted to £30.2m with losses of £1.9m (2012, £1.5m). Simply Be's sales in the USA grew by 75% to £8.4m with an acceleration in the second half. We are still testing a variety of marketing and recruitment techniques, and have found that the Marisota product range, which is slightly less fashionable than Simply Be, yields better results from direct mail recruitment. Consequently

we will launch a dedicated Marisota website in April 2013 as well as one for Jacamo menswear.

Our marketing expenditure in Germany has been significantly reduced and focussed wholly online. Whilst this has reduced revenue by 38% to £2.2m it has reduced losses and gives an expectation of breakeven next year.

Oxendales is our primary brand in Ireland, where we have traded for many years. The continuing economic woes have seen a decline in both sales and profits since the recession hit, and last year revenues fell a further 15% to £14.2m and operating profit was down 49% to £1.7m.

Figleaves derives 22% of its total revenue of £24.7m from overseas, with the USA the main market, and has ambitions to grow sales further in this region.

Gross Margin and Credit

The rate of gross margin was level with the previous year at 53.0%. However this masks a 1.6% increase in the rate of gross margin in the second half to offset an equivalent reduction in the first half. There have been three key features which shaped the gross margin. The "Amazing Value" lines throughout the various product categories successfully traded gross margin rate for volume growth, but this was more than offset by a significant reduction in the level of product and marketing discounts compared with the high level in the second half of 2011/12 when we had excess levels of stock to clear. The ratio of bad

Online sales
up 15% to

£424m

Footwear sales
up 5% to

£87m

Home & Gift
sales up 15% to

£236m

debts to sales rose by 0.4% to 8.1% due to the high level of customer recruitment. The underlying level of arrears and write-offs was level with the prior year and the increase in the ratio is wholly due to this customer mix.

The services revenue associated with our credit accounts rose by 6.1% to £226.9m, 29% of our total revenue.

Overheads

A 5% increase in average item values helped contain the rise in distribution costs to 3.9%. To build up the customer database we invested an extra £6m in recruitment campaigns, offset by a £2.5m reduction in catalogue costs through our contact optimisation programme. In addition we had invested further to support our strategic initiatives to drive international revenue and develop the stores channel.

Customer Service

We are continually looking to improve the customer service experience. During the last twelve months we have made more of the product range available for next day delivery and moved the cut-off time from 2pm to 6pm. We have improved the online self-service "My Account" facility and the automated service emails are keeping the customers' better informed and generating revenue. The end result has been a reduction in the number of enquiries and claims from our customers, keeping us in the top quartile for service amongst our peer group.

Current Trading and Outlook

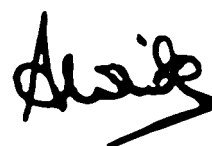
We have made good progress with our strategic plan in the last year but there are still many opportunities to develop in the new financial year. The trading processes and organisation have been revamped to recognise the pre-eminence of the online channel and also to strengthen the focus on our key brands, both from product development and marketing perspectives. We will offer more choice in payment options to attract those customers who do not wish to open a credit account. The transition from paper contacts to online communication will be managed carefully to drive sales and reduce costs. The higher level of customer recruitment investment will be maintained. Strong revenue increases are anticipated from our operations in the United States, and from our Simply Be/Jacamo stores, and we expect lower levels of operating losses as these operations develop.

Revenue in the first 7 weeks of the new financial year is up by 6.3% and by 6.1% on a like-for-like basis. The strength of our customer base is the most positive influence in delivering this rate of growth which has been achieved despite the cold spell in March which has significantly impacted the sales of ladies summer clothing. However sales of footwear and menswear have been positive and home and gift has continued its strong performance. This product mix has impacted the achieved rate of gross margin so far but we hope that we will enjoy better weather than the wet summer of 2012 to redress this issue.

Change of Chief Executive

This is my last Chief Executive's report before starting to hand over to Angela Spindler from 1 July 2013. I have had a hugely enjoyable career with N Brown Group in two spells totalling 25 years, the last 11 years as chief executive, and I must especially thank David Alliance and Jim Martin for both these opportunities. It is almost impossible to believe that the business I joined with sales of £42m in 1985 could deliver these results in 2013. The talent, enthusiasm and dedication of everyone in the group has delivered this long-term transformation and I sincerely thank everyone for their contribution.

The business is in good shape today with a strong management team and I firmly believe that the group has an excellent strategic position with an exciting future ahead of it. I offer Angela my full support and best wishes to realise this potential and I am sure the group will continue to prosper under Andrew Higginson's and Angela's guidance.



Alan White

FINANCIAL REVIEW

Net debt reduced
by £3.8m to

£188.7m

Net assets
up 10.9% to

£446.0m

Bank loans in
place until 2016
Gearing reduced to
42%

Group Trading Summary

Group sales increased by 4.2% to £784.7m (2012, £753.2m) with operating profit rising by 0.2% to £102.2m (2012, £102.0m). Operating margins have fallen by 50bps from 13.5% to 13.0% analysed as follows:

| | |
|--------------------------------|--------|
| Net operating margin last year | 13.5% |
| Impact of gross margin | |
| – Product | +70bps |
| Impact of gross margin | |
| – Financial Income/Bad Debt | -70bps |
| Increase in operating costs | -50bps |
| Net operating margin this year | 13.0% |

The rate of gross margin of 53.0% remained flat against last year. This was due to a combination of higher product margins as a result of lower promotional discounting especially in the second half, offset by an expected increase in the rate of charge for bad debts and a slight reduction in financial income yield. Overhead costs increased as a consequence of the store expansion and the recruitment drive of new customers. Group net finance charges increased from £6.4m to £7.1m. This was primarily due to a £0.4m decrease in the expected return on the group's defined benefit pension scheme assets. The financial costs relating to group borrowings were broadly flat year on year and were covered 14 times by operating profit. Therefore profit before taxation and fair value adjustments to financial instruments was slightly down by 0.5% to £95.1m (2012, £95.6m). The movement in the fair value of the group's forward foreign currency contracts contributed a gain of £1.3m (2012, £1.3m). The fair value of these forward contracts is based on external factors which are beyond the control of management. Profit before taxation was down 0.5% to £96.4m (2012, £96.9m).

Taxation

The effective rate of corporation tax for the year was 17.6% (2012, 16.4%) and was below the statutory rate, predominantly as a result of the favourable settlement of certain prior year initiatives. The tax charge for the year was £17.0m (2012, £15.9m) which meant that profit after taxation and attributable to shareholders was down by 2.0% to £79.4m (£81.0m). The effective tax rate for the year ahead is expected to return towards the UK statutory rate.

Balance Sheet And Cashflow

The balance sheet continues to grow in strength. Net assets increased by 10.9% to £446.0m at the year end (2012, £402.3m).

Capitalised expenditure for the year was £25.0m (2012, £24.9m) which included £5.0m on the Simply Be & Jacamo concept stores. The majority of the remaining expenditure relates to our continuous investment in our online systems.

The working capital requirements of the group grew broadly in line with revenue growth. Trade receivables at the year end had increased by 5.2% to £527.8m (2012, £501.8m), and stock levels by 4.7% to £86.5m (2012, £82.6m).

The bad debt provision increased to £55.7m (2012, £49.3m) which equates to 9.5% (2011, 8.9%) of gross debtors.

The deficit position of the group's defined benefit pension scheme has increased to £3.3m compared to £1.0m at the prior year end. The movement predominately arises from a net actuarial loss of £4.0m together with service costs of £2.1m and net finance costs of £0.2m offset in part by contributions of £4.0m.

Net cash generated from operating activities increased from £56.5m to £72.4m and after funding increased capital expenditure, finance costs and dividends, net debt reduced by £3.8m

to £188.7m (2012 £192.5m). Gearing levels once again improved from 48% last year to 42% 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 1,475,000 (2012, 1,449,000) and £380 (2012, £354) 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 Conduct 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

There has been no change during the year to the group's banking facilities which were renewed last year to support its ongoing trading and development activities. The group has committed borrowings of £370m of which £250m (2012, £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 negotiated at more favourable rates 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 \$35m (2012, \$69m).

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's business activities together with factors likely to affect its future development, performance, and financial position. These include cash flows, liquidity position, borrowing facilities and the principal risks and uncertainties relating to its business activities. These are set out within this report and discussed further in the Chairman's Statement and 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 which 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 238.8p at the start of the year has risen to 397.0p at the year end giving a market

capitalisation of £1,125.2m (2012, £676.8m). 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 outperformed the market in the last twelve months. A final dividend of 8.23p (2012, 7.74p) per share has been recommended by the board giving a total dividend for the year of 13.68p (2012, 13.03p) per share up by 5.0% and covered 2.1 times (2012, 2.2 times).



Dean Moore



11 PEOPLE 1 BOARD



Left to Right: Andrew Higginson, Alan White, Lord Alliance of Manchester CBE, John McGuire, Ivan Fallon, Philip Harland, Anna Ford, Dean Moore.
Not Pictured: Ron McMillan, Simon Patterson, Fiona Laird

Andrew Higginson (55)
Non-executive Chairman

Appointed a director on 3 July 2012 and became Chairman on 1 September 2012. Having started his career in consumer products, with Unilever and Guinness, Andrew spent 22 years as an Executive Director of retail companies, first with Laura Ashley Holdings, then The Burton Group, and for fifteen years, on the Board of Tesco plc. At Tesco, he was Group Finance and Strategy Director for eleven years, then CEO of Retailing Services for four years where he was responsible for businesses including Tesco.com and Tesco Bank. He is a non-executive director of BSkyB plc.

Alan White (58)
Chief Executive

Qualified as a chartered accountant with Arthur Andersen and was finance director for Sharp Electronics, N Brown Group and Littlewoods before returning as Chief Executive in 2002. He is a non-executive director of Topps Tiles plc, Direct Wines Ltd and Deputy Chairman of CBI in the North West.

Dean Moore (55)
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.

Lord Alliance of Manchester CBE (80)
Non-executive Director c

Appointed a director and Chairman in 1968. Stood down as Chairman on 1

September 2012. 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.

Ivan Fallon (68)
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.

John McGuire (64)
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. Currently Director and Chairman of Risk Committee Cambridge and Counties Bank Limited. Member General Assembly of The University of Manchester.

Anna Ford (69)
Non-executive Director a, b, c

Appointed a director on 1 March 2009. Anna retired from the BBC in 2006, after 32 years in News and Current Affairs. Previously non-executive director of J Sainsbury Plc. Honorary bencher of Middle Temple.

Ron McMillan (61)
Non-executive Director a, b, c

Appointed a director on 1 April 2013.

Until his retirement in March this year, he spent his entire career with PricewaterhouseCoopers. For the past four years, he was Deputy Chairman of the firm's practice in the Middle East and for the previous nine years, he was the Northern Regional Chairman of the UK firm.

Fiona Laird (52)
Non-executive Director a, b, c

Appointed a director on 1 April 2013. Senior Vice President of Human Resources at Unilever plc. She has served in numerous human resources, compensation & benefits, labour relations, communications and change management roles globally for Unilever since joining the company in 1991.

Simon Patterson (40)
Non-executive Director a, b, c

Appointed a director on 1 April 2013. Managing Director at Silver Lake, a leading investment firm focused on the global technology industry. He is currently a board member of Intelsat, Multiplan and Gerson Lehrman Group.

Philip Harland (57)
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 NUMBER 5

| | |
|------------|--|
| 18 | Directors' Report |
| 28 | Corporate Governance Report |
| 33 | Remuneration Report |
| 43 | Independent Auditor's Report – Group Accounts |
| 44 | Consolidated Income Statement |
| 44 | Consolidated Statement of Comprehensive Income |
| 45 | Consolidated Balance Sheet |
| 46 | Consolidated Cash Flow Statement |
| 46 | Reconciliation of Operating Profit to Net Cash from Operating Activities |
| 47 | Consolidated Statement of Changes in Equity |
| 48 | Notes to the Group Accounts |
| 72 | Independent Auditor's Report – Company Accounts |
| 73 | Company Balance Sheet |
| 74 | Notes to the Company Accounts |
| IBC | Shareholder Information |

DIRECTORS' REPORT

Directors' Report

The directors present their annual report and accounts for the 52 weeks ended 2 March 2013.

Activities and results

The principal activity of the group is multi-channel retailing. The activities are more fully explained and reviewed in the Chief Executive's Review on pages 10 to 13. Group profit before taxation from continuing operations for the 52 weeks ended 2 March 2013 amounted to £96.4m (2012, £96.9m). 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.

Business Review

The company is required by the Companies Act 2006 ('Companies Act') to set out in this report a fair review of the business of the group during the 52 weeks ended 2 March 2013 and the position of the group at the end of that period to enable shareholders to assess how the directors have performed the duty under Section 172 of the Companies Act (duty to promote the success of the company). 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 and is deemed to form part of it.

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 5.45p per share (2012, 5.29p) was paid on the ordinary

shares of the company on 4 January 2013. The net cost of this dividend was £15.3m (2012, £14.7m).

The directors recommend a final dividend of 8.23p per share (2012, 7.74p) for the 52 weeks ended 2 March 2013, the net cost of which will be £22.9m (2012, £21.5m). The dividend will be paid on 26 July 2013.

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

Acquisitions and disposals

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

Share capital

Details of the company's issued share capital are shown in note 22 on page 65. The company has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings of the company. The ordinary shares are listed on the Official List and are traded on the London Stock Exchange. There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation (except as set out below in the section entitled "Voting Rights and Restrictions on Transfers"). No person has any special rights over the company's share capital and all issued shares are fully paid.

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

The directors have no current plans to issue shares other than in connection with employee share options.

Annual general meeting

The annual general meeting will be held on Tuesday, 2 July 2013. 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 current directors, 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.

At the 2013 annual general meeting all of the directors will retire and, being eligible, will offer themselves for re-election. The directors who served throughout the year in review were as follows:

Andrew Higginson

Non-executive Chairman¹

Lord Alliance of Manchester CBE

Non-executive Chairman²

Alan White

Chief Executive Officer

Dean Moore

Finance Director

Ivan Fallon

Senior Independent Non-executive Director

Anna Ford

Non-executive Director

John McGuire

Non-executive Director

Lord Stone of Blackheath

Non-executive Director³

Nigel Alliance OBE

Non-executive Director⁴

¹ Appointed Chairman 1 September 2012

² Retired as Chairman 1 September 2012

³ Resigned 2 January 2013

⁴ Resigned 2 January 2013

In addition Simon Patterson, Fiona Laird and Ron McMillan, having been appointed directors since the last annual general meeting, will stand for election. Biographical details for Simon, Fiona and Ron can be found on page 16.

Details of directors' interests (beneficial and non-beneficial) in shares of the company are given in the Remuneration Report on page 42 and are deemed to be incorporated into this report by cross-reference.

The powers of directors are described in the board terms of reference and the Corporate Governance Report on page 28.

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. In accordance with section 236 of the Companies Act, qualifying third party indemnity provisions are in place

DIRECTORS' REPORT

for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 2 March 2013 and through to the date of this report.

Major shareholders

In addition to the directors' shareholdings shown in the Remuneration Report on page 42 and in accordance with Chapter 5 of the Disclosure and Transparency

Rules, the following notifications had been received from holders of notifiable interests in the company's issued share capital at 30 April 2013:

| | Holding | % of issued share capital |
|-----------------------------------|------------|---------------------------|
| Nigel Alliance OBE | 31,489,256 | 11.11 |
| INVESCO Asset Management Ltd | 18,884,510 | 5.96 |
| Threadneedle Asset Management Ltd | 15,355,580 | 5.42 |
| Artemis Investment Management LLP | 8,513,327 | 3.00 |

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 28 to 32.

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 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 any 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

Overview

Our sustainability strategy and environmental performance has become an integral element of our core business strategy. As a responsible multi-channel retailer, we have formally committed to reduction targets and continually strive to exceed expectations of our customers, staff and investors. Group-wide sustainability responsibility has been assigned to Ian Carr, director of logistics, who sits on the operational board of J D Williams & Company Limited and who reports to the Chief Executive Officer and,

through him, to the board of directors.

Since 2007, the group has been actively working alongside its environmental partners, Envantage Limited and Viridor Limited, to boost environmental performance and increase group-wide environmental awareness and accountability. Ongoing investment into energy, carbon, waste and water minimisation initiatives has led to a considerable reduction in our carbon emissions and water footprint profiles.

DIRECTORS' REPORT

Achievements

Annual measurement and reporting of full Green House Gasses ("GHG") emission, water and waste footprint profiles are carried out. In this report we have focused on key emissions and water figures and achievements against our imposed reduction targets.

As referred to above, we have committed to an emissions reduction target which includes group wide electricity, natural gas and diesel associated GHG emissions. The reduction target is founded on a base year of performance during the financial year 2007/08. Calculated GHG emissions are evaluated against annual turnover figures

expressed in tCO₂e / £. We have also committed to further waste and water reduction targets across some of the group which are evaluated on an absolute basis.

The table below illustrates achieved targets to date and on-going targets:

| Scope | Units | Target from 07-08 levels | Date to be achieved | Status |
|--------------------------|---|--------------------------|---------------------|----------|
| GHG Emissions: | Tonnes Co ² £million turnover (relative) | 15% | 2012 | Achieved |
| • Electricity | | | | |
| • Natural Gas | | | | |
| • Diesel | | 30% | 2017 | On-going |
| Waste¹ | Tonnes | Zero to landfill | 2013 | On-going |
| Water² | (absolute) | 25% | 2017 | On-going |

1. Across sites where waste is controlled by the group.
2. Across sites with water meters

Absolute energy and emissions evaluation

The tables below illustrate group wide electricity, natural gas and diesel

consumptions and related GHG emissions from 07/08 to 12/13. Figures are expressed on an absolute basis.

Energy consumption

| Source | 2007 - 2008 | 2008 - 2009 | 2009 - 2010 | 2010 - 2011 | 2011 - 2012 | 2012 - 2013 | % Change from 07/08 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|
| Natural Gas | 12,975,745 | 13,569,359 | 11,242,105 | 16,769,510 | 11,359,532 | 14,123,527 | -8.8% |
| Diesel (litres) | 168,867 | 156,708 | 127,531 | 133,812 | 152,711 | 178,008 | -5.4% |
| Total Electricity (kWh) | 19,635,490 | 19,455,057 | 18,818,315 | 18,711,488 | 19,016,814 | 20,060,497 | -2.2% |

GHG emissions

| Year | Gas tCO ₂ e | Electricity tCO ₂ e | Diesel tCO ₂ e | Total tCO ₂ e | Absolute % reduction from 08/07 |
|--------------------|------------------------|--------------------------------|---------------------------|--------------------------|---------------------------------|
| 2007 - 2008 | 2,392 | 10,562 | 451 | 13,405 | - |
| 2008 - 2009 | 2,568 | 10,435 | 419 | 13,422 | -0.1% |
| 2009 - 2010 | 2,125 | 9,873 | 338 | 12,336 | 8.0% |
| 2010 - 2011 | 3,140 | 9,737 | 355 | 13,232 | 1.3% |
| 2011 - 2012 | 2,092 | 9,901 | 395 | 12,388 | 7.6% |
| 2012 - 2013 | 2,825 | 10,439 | 460 | 13,724 | -2.4% |

As a continually growing company, with an expanding property portfolio, an emissions increase of only 2% is lower than would

have been achieved if the group had not taken any action. There was a slight increase in 2012/2013 on the previous year

due to an increased property portfolio (Simply Be stores) and longer operating hours across our logistic sites.

DIRECTORS' REPORT

Relative emissions evaluation

The table below illustrates group wide GHG emissions from 07/08 to 12/13 in comparison with group turnover. Figures are expressed in terms of tCO₂e per £million. Emissions history is analysed

on a relative basis to take into account the growth of the group. Since 07/08 the group has reduced emissions per £million turnover by an impressive 20% due to the continued environmental improvement and investment the group has undertaken since 07/08.

| Year | Total tCO ₂ e | Turnover (£ million) | tCO ₂ e £ million | % reduction from 08/07 |
|-------------|--------------------------|----------------------|------------------------------|------------------------|
| 2007 - 2008 | 13,405 | 611 | 21.94 | - |
| 2008 - 2009 | 13,422 | 663 | 20.24 | 7.7% |
| 2009 - 2010 | 12,336 | 690 | 17.88 | 18.5% |
| 2010 - 2011 | 13,232 | 719 | 18.40 | 16.1% |
| 2011 - 2012 | 12,388 | 753 | 16.45 | 25.0% |
| 2012 - 2013 | 13,724 | 785 | 17.48 | 20.3% |

Water

The table below illustrates the water consumption profile across the group from 07/08 levels.

| Source | 2007 - 2008 | 2008 - 2009 | 2009 - 2010 | 2010 - 2011 | 2011 - 2012 | 2012 - 2013 | % reduction from 07/08 |
|------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------|
| Water (m3) | 44,045.6 | 51,422.2 | 34,758.0 | 30,993.3 | 29,338.0 | 31,737.0 | 28% |

Waste

The group has committed to achieving zero waste to landfill by the end of 2013 at its main operating sties. Working with

our consultant Viridor Limited we have achieved a 99.98% recycling rate including waste to energy.

Summary

The table below summarises the group's performance against our committed reduction targets.

| Scope | Units | Target reduction from 07-08 levels | Date to be achieved | Current performance (2012-2013) | Status |
|---|---|------------------------------------|---------------------|---------------------------------|------------------|
| GHG Emissions: • Electricity • Natural Gas • Diesel | Tonnes Co ² £million turnover (relative) | 30% | 2017 | 20% | On track |
| Waste ³ | Tonnes (absolute) | Zero to landfill | 2013 | 99.98% | On track |
| Water ⁴ | Cubic metres (absolute) | 25% | 2017 | 28% | Exceeding target |

3. Across sites where waste is controlled by the group.

4. Across sites with water meters

The continued investment and development of our sustainability strategy has allowed the group to achieve impressive results since 07/08.

Future planned expenditure into resource efficiency, effective management and awareness campaigns, will allow the group to continue to proposer as an

environmentally responsible retailer in today's low carbon society.

DIRECTORS' REPORT

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, with a large dedicated training team based in the contact centre with around 40 people providing customer service and systems training to ensure our customers receive the highest possible levels of service. This year we have launched a new certified bespoke leadership programme for all 50 Team Leaders.

A management development team based at head office provides learning and development support for both the head office teams and all subsidiary and support divisions. The entire management team undergoes a bespoke 360° process every two years with the intention of ensuring every employee understands the impact they have on the teams around them. The Customer Services Division also runs an engagement survey every two years to check engagement level at a team level across the group.

A consultative forum operates within the logistics division where employees from all levels contribute and share ideas that help shape the culture of the business. This year the Logistics and Customer Services divisions have also achieved Investors in People accreditation at Silver and Gold 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, "simply development" which enables employees to access a wide range of self-development activities, tools and information.

The company has developed close relationships with local universities to retain talent within the northwest. We now offer graduate schemes in Buying, Quality & IT.

In addition we offer placements within the Buying and Merchandising function.

In 2012/2013, 13% of our recruitment was achieved through our Employee Referral Programme which is a programme whereby existing employees can recommend friends and relatives to fill vacancies.

An employee profit share scheme has been introduced to enable employees to participate in the company's success. Bonus levels for the 2013/14 scheme provide an enhanced bonus entitlement for certain junior grades, providing greater benefit differentials for employees promoted to non-management grades. In addition the company's grading structure has been enhanced by the introduction of two new grades to allow enhanced career progression and better alignment of pay and benefits.

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 and the group will endeavour to assist the employee by offering additional training, adapting the job if appropriate or by offering a transfer to another position. 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.

As we increase the number of our retail outlets, we have increased Health & Safety resources to ensure that all areas of the business meet the same exacting safety standards that we demand throughout.

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. The ratio of employee number to RIDDORs has fallen from 0.04% to 0.03% from the previous year in review.

In the year in review, the group ratio of accidents per employee remain static at 0.6%. This reflects the work completed to ensure that our new retail sites maintain the tight safety standards expected within the group to retain this figure.

The group's Health & Safety and Human Resources departments are complimented by the Occupational Health Department, whose focus is to look after the well-being of the group's employees. The department provides advice, guidance and support on people's fitness to work, on-site physiotherapy, chiropody and a counselling service.

We endeavour to ensure that all products and services sold by the group or used in the workplace are safe and without risk to employees and customers when used properly.

DIRECTORS' REPORT

Customers

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

We aim to attract and retain customers through a highly competitive product and service offering, regularly monitoring retail and home-shopping sector developments to stay in touch with our marketplace. Insights into our customers' needs and expectations are regularly updated through customer satisfaction surveys conducted both directly and through third parties.

Our overall strategy is to adopt a "multi-channel" approach to managing customer contacts, with the key aim of a joined-up and consistent customer experience across channels. Our multi-channel service platforms cover web, telephone, mobile/tablet, post, and will extend to our relatively new UK store operations.

We continually develop our web sites for richer product content, ease of use, and improved performance. Optimisation for mobile/tablet devices is a priority due to the rapid growth of demand in this channel. 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.

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 U.S.A., Germany and Eire. 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.

Our speed of answering 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. E-mails inform customers about their order and account status.

Service developments are planned to further enhance our multi-channel customer experience with new capabilities to offer personalisation and choice. Individual customer needs and preferences will drive their relationship with us across brands, products, services, channels, offers, trading terms, and communications.

Suppliers

Ethical trading policies and compliance

The group is aware of its impact on communities all over the world, wherever we manufacture the products that we sell. As part of this we have a strict Code of Conduct that we expect all our suppliers to adhere to. This Code of Conduct is based on the ETI (Ethical Trading Initiative) Base Code. This is a global Code of Conduct that is used as a standard by retailers across the world and especially within the UK. This is in turn based on the standards set out by the ILO (International Labour Organisation), which is the United Nations body that oversees international labour standards. This Code of Conduct is incorporated into our standard terms and conditions for dealing with suppliers. The Code of Conduct is available in 6 languages (Chinese, Thai, Urdu, Vietnamese, Turkish and English) and we encourage all suppliers to display this Code of Conduct in their factories. Our Code of Conduct is also being rolled out across all transactional websites to inform customers of our policy, as well as being displayed in all stores. The Code of Conduct includes the following principles:

1. Employment is freely chosen
2. Freedom of association and the right to respect collective bargaining are respected
3. Working conditions are safe and hygienic
4. Child labour shall not be used
5. Living wages are paid
6. Working hours are not excessive
7. No discrimination is practiced

8. Regular employment is practiced
9. No harsh or inhumane treatment is allowed

As an integral part of ensuring that our suppliers comply with the Code of Conduct and implement processes and procedures to enable this, we regularly audit and risk assess our suppliers. This is done with a combination of external audits carried out by external parties and also some due diligence checks from our internal ethical trading team. The audits are always carried out to either the SMETA (SEDEX Members Ethical Trade Audit) or to SA8000 (Social Accountability International) standards. These standards are recognised across the world by most retailers and NGO's (Non-Governmental Organisations). We have joined SEDEX this year to assist us in our ethical trading programme. This is a database that holds audits and risk assessments for factories. All our suppliers are encouraged to join the system as this enables them to share their information with any members across the world. This is a cost effective way of sharing audit information with other retailers, cuts down on audit duplication and helps to increase transparency across supply chains. We also upload our own audits into the system for factories to be able to share this information. In addition to this we have developed our own "swift audit" system. This is designed to be used after a risk assessment has been carried out and it is felt that a full audit is not necessary. Currently we have 866 suppliers operating from approximately 2,260 factories, of which 87% are currently compliant with our Code of Conduct. Suppliers are requested on at least a quarterly basis for accurate audit information and to check the progress on outstanding CAPS (Corrective Action Plans). This information is also discussed by the wider buying and merchandise team when they travel to visit the suppliers. We have also completed a trial of giving our suppliers an "ethical score" on our supplier scorecard. This helps to increase visibility of ethical trading within buying and merchandising and also encourages the long term relationship with the suppliers. This will be rolled out to the rest of the buying teams later this year.

DIRECTORS' REPORT

The group is a member of the ETI. This is a ground breaking alliance of retailers and suppliers, trade unions and non-governmental organisations. Members include major companies, trade unions such as the TUC and non-governmental organisations such as Oxfam and Women Working Worldwide. The idea is that by working together we can influence change for the better in all our worldwide supply chains. Members also share policies and best practice which has enabled us to introduce our own policies on banning sandblasting within our denim supply chain and also joining the Kimberley Process on Conflict Diamonds. Members are open about shared supply chains and work together to influence collective change. Annually we compile a detailed report on our supply chain at factory level on 6 key management benchmarks:

1. Commitment to ethical trading
2. Integrating ethical trade into the company culture and practices
3. Capacity building for suppliers
4. Identifying problems in our supply chain
5. Projects and work undertaken
6. Public transparency

We are currently in the process of compiling the 2012/13 report. We submitted our first annual report for 2010/2011. We had risk assessed 1,126 sites and audited 249 sites. This figure has considerably improved for 2012/13 with us having risk assessed 2,010 sites and audited 749 sites. We estimate that our risk assessments and audits have covered over 500,000 workers. The report is graded by an independent consultancy firm and also assessed by a non-governmental organisation. Our results are then benchmarked against other retailer members and a final grade is given. We were very pleased in our first year of reporting to be graded from a Foundation level, which is the entry level membership to the Improver level, which is the second level of membership. This further demonstrates our commitment to ethical trading and our swift progress has been noted by the Ethical Trade Initiative. Further information on the 2012/13 will be released when available later in the year.

Following a recent factory fire in Bangladesh ETI members have agreed some concrete measures to improve fire and electrical safety within our supply chains. These include:

1. the setting up of a task force, of which we are members, to co-ordinate a joint approach to fire and electrical safety which will include agreeing joint standards which will apply to all factories by involving experts in the area;
2. immediate review of all our factories regarding all aspects of fire safety and electrical safety; and
3. lobbying the government of Bangladesh to improve the safety standards across the garment sector and also improve the policing of the relevant laws.

We have reviewed all our main agents' factories in Bangladesh, which account for 66% of our production in the country, and have also developed an additional fire and electrical safety check which will be rolled out to the rest of our suppliers in the country.

We are continually working to improve working conditions in garment factories in Bangladesh.

We have rolled out a Chain of Custody system in order to comply with EU Timber Regulations 2013. This will enable us to trace back to source all the timber used in our supply chain and suppliers have to keep auditable and reportable records to fit in with this system.

Our ethical trading manager has travelled to key markets this year both to audit current suppliers and to also gain a greater understanding of these markets. This has been achieved by working closely with UKTI (UK Trade and Investment), Foreign and Commonwealth Office, ILO (International Labour Organisation), IHRB (International Human Rights Board) and the ITUC (International Trade Union Congress).

The group has also joined the All Parliamentary Group on International Corporate responsibility.

We have also launched an "intranet" site within the group to improve communication and visibility of ethical trading across the group.

Future work

Much of our future work will encompass the new UN Guidelines for Business and Human Rights, also known as the "Ruggie Principles". These place responsibilities on all businesses to have policies and procedures in place which should include:

- policy commitment from the most senior level to stipulate the human rights expectations of the group and also other related parties;
- human rights due diligence which should cover all aspects of the groups' operations either directly or indirectly; and
- processes to be in place within the business to ensure any remediation that is required can be acted upon.

The UK government is currently working on guidelines for businesses which we will adopt and report on in the future. We will also conduct relevant human rights assessments within our supply chains.

We will continue to ensure that our suppliers and the group companies have a positive and open relationship regarding ethical trading and we will undertake more project work with suppliers as deemed appropriate.

As part of our continued commitment to ethical trading and corporate social responsibility ('CSR'), the board has decided to establish a CSR Committee.

This committee will report to the board on all matters relating to CSR, specifically:

- looking after our environment;
- ethically sourcing our products; and
- working with the wider community and our employees.

The committee will be chaired by Anna Ford and will comprise one other non-executive director, the Finance Director, the Company Secretary and the group Ethical Trading Manager. The committee will set SMART (Specific Measurable Achievable Relevant Timed) targets in CSR areas, and will report on progress to these targets annually once established. The committee will have a specific budget and will pass recommendations to the board. It is anticipated that the CSR committee will be established in the second half of 2013. Further information can be obtained from ethical.trading@nbrown.co.uk.

DIRECTORS' REPORT

Paying our suppliers

The group's policy for the payment of suppliers is to ensure that terms of payment are negotiated with suppliers when agreeing the terms of each transaction and to ensure that all suppliers are made aware of and accept agreed payment terms. The group continually reviews payment procedures and liaises with suppliers to eliminate difficulties and to maintain good working relationships. Agreed payment terms are then abided by and payment is made in accordance with those terms. Trade creditors of the group at 2 March 2013 represented 38 days (2012, 40 days) of purchases. Trade payables days is calculated by dividing the trade payables by the aggregate of trade purchases and non inventory expenditure multiplied by 365.

Community relations

The group takes great pride in its links with local communities and 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. The logistics division provide Christmas presents and Easter Eggs for children's wards at local hospitals, sponsor the local bonfire and firework display and Christmas lights, make donations to local schools and work closely with charities close to home to help raise much needed funds for good causes. £134,000 was raised for good causes in this way in the year in review.

The family, health and well-being programme, now in its ninth 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 £40,070 (2012, £71,011). No political donations have been made (2012, nil). No contributions have been made to non-EU political parties (2012, nil).

Pension fund

The company has a defined benefit scheme The N Brown Group Pension Fund ("Pension Fund"). Its assets are administered by a trustee company (the "Trustee") which is controlled by a board of directors and which includes an independent trustee and others who represent the interests of pension fund members (including pensioners) and the company.

The Trustee has appointed Mercer Limited to provide various services including actuarial advice, investment advice, administration services and fiduciary management services.

The Pension Fund is required to undertake an actuarial valuation every 3 years and the Trustee has instructed the actuary to undertake the valuation due as at 30 June 2012.

The company (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.

The company is currently working towards the introduction of pension auto-enrolment to ensure full compliance across the group. 'The People Pension' has been selected as the auto-enrolment provider for weekly paid employees, whilst Prudential will auto-enrol monthly paid employees and continue to run the Stakeholder Pension for weekly employees already in the scheme. The company has chosen to defer its staging date from 1 July 2013 to 7 September 2013 for weekly employees and 1 October 2013 for monthly employees.

Financial risk management, objectives and policies

The group is exposed to certain financial risks, namely interest rate risk, currency risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 19 on page 61. The group's risk management policies and procedures are also discussed in the Financial Review on page 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.

Essential contracts

The group has a number of contractual arrangements with suppliers (both of goods and services) and occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the group, individually none of them are essential to the business of the group and do not require disclosure under section 417(5)(c) of the Companies Act.

Tax status

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

DIRECTORS' REPORT

Auditor

A resolution to re-appoint Deloitte LLP as auditor to the company and to authorise the directors to fix remuneration will be proposed at the annual general meeting on 2 July 2013.

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 directors are 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 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 33 to 42 and the Corporate Governance Report on pages 28 to 32 form part of this Directors' Report. Any liability for the information is restricted to the extent prescribed in the Companies Act.

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 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 or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

DIRECTORS' REPORT

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

By order of the board

Philip F Harland LL.B (Hons) (Solicitor)
Secretary
17 May 2013

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the board

Alan White
Chief Executive

Dean Moore
Finance Director
17 May 2013

CORPORATE GOVERNANCE REPORT

Corporate Governance Statement

Andrew Higginson (Chairman of the Board)

Dear Shareholder,

The board is committed to meeting a high standard 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").

Statement of compliance with the Code

For the year under review the board considers that it and the company have complied with the provisions of the Code except for provision B6.1 and B6.2 as the board has decided that an informal review of board effectiveness was appropriate. All other provisions of the Code have been complied with. The following paragraphs explain how the main principles of the Code have been applied. The Remuneration Report contains further details on pages 33 to 42.

In September 2012, the Financial Reporting Council published a new edition of the UK Corporate Governance Code, effective from the company's next financial year (the 'New Code'). The changes largely relate to Accountability, Part C of the Code, which covers areas such as financial and business reporting, audit committees and auditors. The intention of the board is that the company will fully comply with the changes introduced in the New Code in 2013.

Board composition

A new non-executive chairman, Andrew Higginson, was appointed a director on 3 July 2012 taking over as chairman from Lord Alliance of Manchester, who remains a non-executive director, on 1 September 2012. Lord Alliance of Manchester was not involved in the selection process for the appointment of Andrew Higginson as his successor as Chairman.

During the year there were a number of other significant appointments to the board of directors. As they had both served for terms beyond which the Code regarded their independence to be impaired, Lord Stone of Blackheath and Nigel Alliance stepped down from the board on 2 January 2013. In March 2013 three new non-executive directors were appointed to the board effective 1 April 2013. Ron McMillan joined the company as Senior independent non-executive director in place of Ivan Fallon who will relinquish the role of Senior independent non-executive director later in 2013 but will remain on the board. Ron McMillan will become chair of the

audit committee in October 2013 when John McGuire will relinquish his role but also remain on the board.

Simon Patterson will assume the chair of the nomination committee with immediate effect, taking over from Lord Stone of Blackheath and finally, Fiona Laird will become chairman of the remuneration committee on 1 October 2013 when Ivan Fallon relinquishes that role (but remains on the board as a director).

Alan White, Chief Executive Officer, indicated at last year's annual general meeting his intention to retire from the company. After a search for suitable candidates, Angela Spindler was selected to become CEO and will join the company on 1 July 2013 and will be appointed a director after the 2013 annual general meeting.

The board now comprises of ten members, eight of whom are non-executive. There is a clear division of responsibilities between the Chairman, Andrew Higginson, 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 who served during the financial year ended 2 March 2013 were:

- Andrew Higginson (Chairman);
- Lord Alliance of Manchester CBE;
- Ivan Fallon (deputy chairman and senior independent non-executive director);
- John McGuire (chair of audit committee); and
- Anna Ford.
- Lord Stone of Blackheath (resigned 2 January 2013)
- Nigel Alliance OBE (resigned 2 January 2013)

Of these Ivan Fallon and Lord Alliance of Manchester CBE are no longer regarded by the board as independent owing to their length of service on the board and, in the case of Lord Alliance, his position as a major shareholder. All of the other non-executives are considered by the board to be independent.

In order to address any issues of independence and to bring board composition in line with Code requirements, the three new non-executive

director appointments reported above were made.

Ivan Fallon and John McGuire will remain as members of the board for the foreseeable future as the board considers that both still have much to offer in terms of their knowledge and experience which will be of immense value to the new non-executive directors.

In view of the foregoing, the board considers that it now has a majority of independent non-executive directors and that the composition of the board has 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 full board effectiveness.

Pursuant to recent amendments to the Code, the company now requires all directors retire and submit themselves for re-election annually and, again this year, each of the directors will again retire at the forthcoming annual general meeting. All directors, including those appointed since the last annual general meeting, being eligible, will offer themselves for reappointment at that meeting.

With the exception of Ivan Fallon and John McGuire who are on a three month rolling arrangement, all non-executive directors serve on letters of appointments stipulating three year terms. All non-executive appointments are terminable, without compensation, on between three and six months' notice by either party and are subject to other early termination provisions, for example without compensation in the event a director is not re-elected upon retirement by rotation in accordance with the articles of association, or at the annual general meeting.

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.

CORPORATE GOVERNANCE REPORT

Details of directors' contract terms are shown in the Remuneration Report on page 37. In accordance with the Code, the company has made the terms and conditions of appointment of the non-executive directors available for inspection.

Diversity

The board recognises the importance of diversity, including gender, at all levels of the company as well as on the board. The company is committed to equal opportunities and increasing diversity across our operations. Since the last report two further female members have been appointed to the board. Fiona Laird joined the board on 1 April 2013 as a non-executive director and Angela Spindler was appointed to succeed Alan White as the company's new Chief Executive Officer with effect from 1 July 2013. Once Angela takes up her post the board will have female members equating to 30% of its directors. The board considers that significant progress has already been made towards meeting the goals of its diversity policy but will continue to consider how diversity can be enhanced through the board and the senior management teams and across the group generally, whilst ensuring that it appoints only the most appropriate candidates to the board.

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 eight times during the year. Directors' attendance at board meetings was as follows:

| | Attendance |
|---------------------------------|------------|
| Andrew Higginson [†] | 5 |
| Lord Alliance of Manchester CBE | 8 |
| Ivan Fallon | 8 |
| Alan White | 8 |
| Lord Stone of Blackheath* | 5 |
| Nigel Alliance OBE* | 5 |
| Dean Moore | 8 |
| John McGuire | 8 |
| Anna Ford | 8 |

* (resigned 2 January 2013)

[†] (appointed 1 July 2012)

The board is responsible for all major policy decisions and for determining the operational and strategic risks it is willing to take in achieving its objectives. The board has delegated operational matters to those of its committees and sub-committees, the executive and operational directors and senior officers, where necessary. The board is collectively responsible for providing effective leadership and promoting the success of the group and works to a formal list of matters reserved for the board (a copy of which is available on the company's website, www.nbrown.co.uk). Matters reserved to the board include, amongst other things, 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.

In January of each year the members of the board meet with the operational board members over a two day period to review the progress being made against, and the future development of, the group's long-term rolling strategic plan.

Day-to-day management of the group is delegated to the operational board of JD Williams & Company Limited, known as the Home Shopping board, on which both 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.

Board papers include detailed management reports from the Chief Executive and the Finance Director, management accounts, broker analyses, compliance and regulatory briefings and bespoke reports. A comprehensive pack of papers 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 teams and the Home Shopping board and undertake regular site visits to ensure that they have the most up-to-date knowledge and understanding of the company and its activities and also so that the broader population of the group can derive benefit from the skills and experience of the non-executive directors.

All board members are permitted to obtain independent professional advice in respect of their fiduciary duties and obligations and have full and direct access to the Company Secretary, who is a qualified solicitor and who sits on all board and committee meetings as secretary. The Company Secretary regularly briefs the board on legal, regulatory and compliance matters, shareholder engagement issues and the statutory duties and obligations of the directors.

In the last year (as in previous years) the board has undertaken an informal 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, in view of the changes to the board composition and the advent of a new chief executive officer it was not appropriate to employ the services of an externally facilitated evaluator but 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

CORPORATE GOVERNANCE REPORT

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. No material issues were raised.

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 B.6.2 of the Code require that an externally facilitated evaluation be carried out at least once in every 3 years and 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.

Directors' 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 authority 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;
- nomination committee; and
- finance committee

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

Audit committee

The audit committee currently consists of the chairman John McGuire, Ivan Fallon and Anna Ford. Lord Stone of Blackheath served on the committee up to and including the date he retired from the board on 2 January 2013. Ron McMillan joined the audit committee on 1 April 2013 and will succeed John McGuire as chairman with effect from October 2013. Fiona Laird and Simon Patterson also joined the committee with effect from 1 April 2013.

The chairman of the committee and a sufficient number of 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 |
|---------------------------|-------------------|
| John McGuire | 2 |
| Lord Stone of Blackheath* | 2 |
| Ivan Fallon | 2 |
| Anna Ford | 2 |

*(resigned 2 January 2013)

Fiona Laird, Ron McMillan and Simon Patterson joined the audit committee with effect from 1 April 2013.

The audit committee is charged with overseeing the nature and scope of the group's audit process (both internal and external) and their effectiveness. The committee's work in the year 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 also oversees the 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 considers that the processes of the audit committee continue to be reasonably robust and effective and in compliance with the guidance issued by the Smith Committee. During the year under review the board has not been advised by the audit committee of, 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 auditors as well as their relationship with the group, including monitoring the group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. Non-audit services are

CORPORATE GOVERNANCE REPORT

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 has during the year also provided some non-audit services to the company in the form of corporate tax, VAT and regulatory compliance 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 advisers to provide advice on taxation, executive remuneration, regulatory and pension matters where appropriate. These advisers 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 33).

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

Audit: £0.3m
Non-audit/tax: £0.9m

The audit committee has considered the level of fees paid to Deloitte LLP to enable it to consider and report to the board any concerns it may have that the auditor's independence is being compromised. The majority of non-audit work was tax advisory services and it was considered that Deloitte LLP was best placed to provide such advice in view of its knowledge of the group's financial affairs.

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.

Ron McMillan will assume chair of the audit committee on 1 October 2013.

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 2013 annual general meeting.

Remuneration committee

The remuneration committee consists entirely of non-executive directors. The current chairman is Ivan Fallon. The other members are John McGuire and Anna Ford. By invitation the chairman Andrew Higginson and the Chief Executive Officer Alan White also attended committee meetings during the year. Lord Stone of Blackheath served on the committee up to and including the date of his retirement on 2 January 2013. Fiona Laird has joined the remuneration committee with effect from 1 April 2013 and will succeed Ivan Fallon as the chairperson in October 2013. Ron McMillan and Simon Paterson also joined the committee with effect from 1 April 2013.

The remuneration committee met on three occasions during the year. Member's attendance was as follows:

| | Attendance |
|---------------------------|-------------------|
| Ivan Fallon | 3 |
| Lord Stone of Blackheath* | 3 |
| John McGuire | 3 |
| Anna Ford | 3 |

*(resigned 2 January 2013)

The remuneration committee reviews, formulates and determines the reward and remuneration package of each executive director and other senior members of the company including the Home Shopping board. It also considers how the company is applying the principles of the Code in respect of directors' remuneration.

The Remuneration Report is included in this Annual Report on pages 33 to 42. The report will be put to an advisory vote by the members at the company's 2013 annual general meeting.

Nomination committee

The nomination committee was chaired by Lord Stone of Blackheath throughout the year up to the date of his resignation in January 2013. Simon Patterson joined the committee and took on the role of chairman on 1 April 2013. The other members are currently Lord Alliance of Manchester CBE, Ivan Fallon, John McGuire, Anna Ford, Ron McMillan and Fiona Laird. 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 nomination committee.

The committee had a busy year in searching for, identifying and appointing replacements for the Chairman, the Chief Executive Officer and the appointment of three new non-executive directors. In this task the committee was assisted in its executive search role by MWM Consulting LLP. MWM Consulting LLP has no other connection with the company. Andrew Higginson was announced as the new Chairman at the last AGM at which time it was also announced that Alan White would be retiring in the latter half of 2013. Angela Spindler was chosen to replace Alan White as the new chief executive officer and Fiona Laird, Simon Patterson and Ron McMillan were all appointed to bring more independent oversight to the board.

The nomination 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 nomination committee was active in considering the Davies Report into Women on Boards and its response to the issues it raised. The appointments mentioned above bring the female quotient on the board to 30%.

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 nomination committee met on four occasions with full attendance by the current members.

CORPORATE GOVERNANCE REPORT

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.

Corporate social responsibility committee

As reported in the Directors' report it is intended to establish a corporate social responsibility committee in 2013.

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 and emerging risks are appropriately factored into the group's risk management process, internal audit facilitated two board-level risk sessions in the year. The Chief Executive Officer of the group and the Finance Director along with operational directors identified, ranked and reviewed the key risks facing the business and appraised the structure of internal controls and identified current and proposed activities 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 by internal audit and used as a key driver in the annual internal audit plan.

An enterprise wide mapping of activities across business functions was also undertaken by internal audit during the year to assess the level of risk within each

activity. Output from this process has also been reflected in the annual audit plan.

A risk committee has been established as a sub-committee of the audit committee on which the Chief Executive Officer, the Finance Director (chair of risk committee), the Company Secretary and head of internal audit sit, to focus on reviewing management's activities and 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 risk committee met on two occasions during the year and received presentations from operational management covering group security, information security including PCI compliance, risk management and PPI regulatory compliance.

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 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 has applied the principles relating to directors' remuneration set out in the UK Corporate Governance Code 2010 ("the Code").

This report will be put to an advisory vote of the company's shareholders at the annual general meeting on Tuesday 2 July 2013. 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 a remuneration committee ("the committee") in accordance with the recommendations of the Code.

During the financial year, the committee comprised Ivan Fallon (chairman), John McGuire and Anna Ford, all of whom are non-executive directors. Lord Stone of Blackheath also served on the committee up to and including the date of his retirement as a director on 2 January 2013. Lord Alliance of Manchester, Andrew Higginson and Alan White also attended the committee by invitation. Fiona Laird joined the committee on 1 April 2013 and will succeed Ivan Fallon as chairman of the committee in October 2013. 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 by Alan White, the Chief Executive Officer and Andrew Higginson, the

Chairman of the board. No director played any part in discussion about his or her own remuneration. The committee also received advice from external advisers during the year which materially assisted their consideration of remuneration matters as follows:

- New Bridge Street provided benchmarking services in setting executive remuneration;
- remuneration benchmarking and other remuneration data taken from various publications of Deloitte LLP were also used;
- Ernst & Young LLP and Pinsent Masons LLP provided advice in respect of certain executive remuneration matters and in respect of the company's share incentive plans and aspects of directors' pension arrangements; and
- Mercer Human Resource Consulting Limited provided advice in relation to the Chief Executive's pension arrangements.

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. These advisers have no other connections with the group other than as set out above.

The advisers' 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 financial year ended 2 March 2013. The company has, however, agreed a long-term incentive arrangement in connection with Angela Spindler's recruitment, without shareholder approval, as permitted by the Listing Rules and as described in more detail on page 36.

In setting the remuneration policy for 2013 the committee considered the structure and quantum of the basic pay award for senior executives against that available for all other grades of staff and concluded that other than in cases of additional responsibilities being undertaken the same structure be applied to the senior executives. The committee also considered whether it was appropriate to introduce a 'claw-back'

into any of the group's incentive schemes. The committee considered in light of 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 set into the performance conditions), a claw-back is not required. However, the committee has resolved to keep the overall position on claw-back under review. It was decided, after reviewing the matter, that the previous structure of the group's annual bonus scheme split between the achievement of a profit target and the achievement of personal and corporate objectives would be retained. The committee also decided to leave the long-term incentive share plan ("LTIP") unchanged for 2013. A detailed review of the LTIP scheme is scheduled to take place during 2013, following which a resolution for its renewal in updated form will be proposed at the annual general meeting in 2014.

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;
- competitive and sufficiently flexible to support the recruitment needs of the business;
- 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

REMUNERATION REPORT

performance condition, in the case of current directors), long-term share based incentives, a pension, a company car allowance and private medical insurance. The committee strives to ensure that the structure of executive remuneration, including the balance between fixed and variable pay, is linked to the achievement of the long-term success of the group compatible with the company's prudent risk policies and systems.

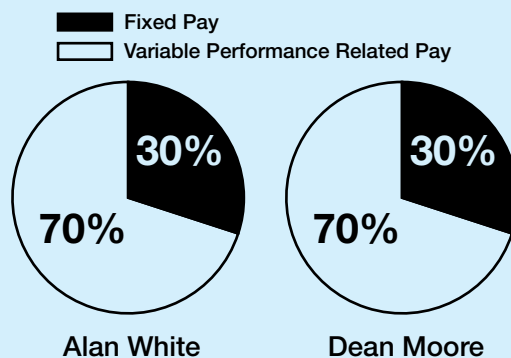
All pay and incentives are subject to the individual review and scrutiny of the committee, particularly in the case of share incentives both at the award

stage and at the vesting stage to ensure that performance has been correctly adjudicated and to safeguard against excessive overall reward. Variable pay and remuneration is normally 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 remuneration policy will undergo a comprehensive review ahead of the annual general meeting in 2014.

The committee considers the group's performance on Environmental, Social and Governance ('ESG') issues when settling the remuneration of any executive director and is of the opinion that the incentive arrangements for senior managers do 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 individual performance against personal and corporate objectives and peer-group benchmarking. Salary reviews also take into account salary levels within the workforce as a whole.

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

Salaries

| | |
|------------|----------|
| Alan White | £534,250 |
| Dean Moore | £338,400 |

The above salaries represent a 2.5% increase on the respective executive director's salary in June 2012, which is broadly in line with the percentage increase awarded to the workforce as a whole during the same period. Dean Moore also received an additional 12.5% pay rise on 1 March 2013 to reflect additional responsibilities.

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 normal annual bonus scheme are made up as follows:-

- group profitability (70%);
- corporate objectives (15%); and
- individual objectives (15%).

The maximum potential bonus payable to current executive directors for 2012/13 and 2013/14 is 100% of basic salary. 75% of any bonus earned is payable in cash and (in the case of current directors) 25% is deferred net of tax into company shares for two years under the Deferred Annual Bonus scheme and is eligible for a 1:1 match on the pre-tax value of the shares. Awards of matching shares are made two years from their date of award, subject to terms of the employee's contract, provided the executive remains in employment and are subject to a financial performance condition requiring that growth in the

REMUNERATION REPORT

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 2012/13 were based on a combination of a profit target, improvements in customer service and the achievement of personal objectives. The performance targets for current directors for 2013/14 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 2012/13 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 £92.9m to £97.8m to reflect the impact of the 53rd week in the prior year, compared with the prior year's adjusted result of £97.0m. Adjusted profit before tax for 2012/13 was £95.1m, therefore the bonus payment due under this element of the

scheme was 50.4% (of a maximum of 70%) for both the Chief Executive Officer and the Finance Director.

(b) Corporate objectives (15% of bonus)

The corporate objective for the year in review was related to improvements in online trading performance. This was measured against twenty leading service measures and benchmarked against a range index totaling 100 points. A score of 65.0% was achieved and therefore the payment due under this element of the bonus scheme was 9.75 % (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 oversee implementation of the strategic plan, improve customer choice of available delivery and return options, increase online and affinity sales, progress business development activities and update strategic options for the group. Amongst Dean Moore's personal objectives were to manage the Simply Be store start-up, 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 11.25% (of a maximum of 15%)
- Dean Moore 11.40% (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 |
|---|--------------|--------------|
| 2012/13 Bonus & Deferred Shares Paid | £381,455 | £251,208 |
| 2012/13 Matching Share Award (Contingent) | £95,364 | £53,802 |
| Total 2012/13 Bonus & Matching Share Award as a percentage of Salary | 89.3% | 89.4% |

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 make 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 LTIP. 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 LTIP awards are made again in 2013/14 and that the LTIP be reviewed before being renewed at the 2014 annual general meeting.

| 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 normal 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 closely aligned with shareholder interests; 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: ASOS, Debenhams, Dixons Retail, Dunelm, Findel, Flying Brands, French Connection, Halfords, HMV, Home Retail Group, J.D. Sports, JJB Sports, Darty, Laura Ashley, Marks & Spencer, Moss Bros Group, Mothercare, Next, Provident Financial and Supergroup. 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 2013, Sports Direct and Carpetright will replace HMV and JJB Sports in the comparator list.

Vesting of awards

For awards vesting in 2013 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 2013, the company is situated in the relevant quartiles as follows:

2010/13 award – 2nd quartile

2011/14 award – 2nd quartile

2012/15 award – 1st quartile

Recruitment awards

The committee has agreed a recruitment package for Angela Spindler, who is expected to take up her appointment as Chief Executive Officer on 1 July 2013. This includes special provisions for financial year 2013/2014. For the period from her joining until the end of the 2013/2014 financial year, she will be eligible to receive a time pro rated bonus based on 125% of salary, subject to the achievement of personal objectives agreed with the Chairman on behalf of the Remuneration committee. In subsequent years it is anticipated that she will be eligible for a cash bonus up to a maximum of 125% of salary, with 40% of any bonus outcome deferred into an award of shares exercisable after a period of two years, subject to employment conditions, but without any additional matching awards.

On an exceptional basis, and only to the extent necessary to compensate her for awards made by her former employer which are forfeited as a result of taking up her appointment with the company, Angela Spindler is eligible to receive two one-off, share awards. The first award, over shares to a value of up to 100% of salary, will be subject to employment conditions over two years. The second award, over shares to a value of up to 200% of salary will also be subject to the achievement of strategic objectives measured over a period of three years, which will be agreed by the Chairman on behalf of the Remuneration Committee. In addition, she is expected to participate in the LTIP in accordance with the policy agreed by the Remuneration committee.

The performance conditions for her LTIP awards for financial year 2013/14, over shares to a value of up to 125% of salary, will be 50% by reference to Total Shareholder Return, as described above and 50% by reference to stretching conditions that will be set relating to growth in earnings per share, requiring substantial improvement in financial performance in order to achieve maximum vesting, in each case measured over a period of 3 years. Earnings per share is considered appropriate because it is easily understood and is a key measure of financial performance, closely aligned to the company's objectives of driving profitable growth.

Executive share option schemes

The company operates both Unapproved

and CSOP share option schemes, permitting annual awards of up to 200% of remuneration, although there is no plan to make any CSOP or unapproved option awards to executive directors in 2013/14, and none of the executive directors have any options outstanding under the executive share option schemes.

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 Officer and the 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 year end the respective holdings are as follows (as a % of base salary).

Alan White 572%
Dean Moore 339%

Angela Spindler will be expected to attain her shareholding requirement over a 5 year period.

Pension

Defined benefit scheme

Alan White is a member of the N Brown Group Pension Fund ("the fund"), which is an 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

REMUNERATION REPORT

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.

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.

Non-executive directors are retained on letters of appointment. All non-executive appointments are on three year terms terminable upon up to six months' notice, save for Ivan Fallon and John McGuire who

are on three month rolling terms. All appointments are subject to successful re-election upon retirement at the annual general meeting. Termination carries no right to compensation other than that

provided by general law. This policy also applies to non-executive directors. Brief details of non-executive and executive directors' contracts are summarised below:

| Name | Status | Date of contact/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 |
| Ivan Fallon | non executive | 10 April 2013 | 3 months |
| John McGuire | non executive | 10 April 2013 | 3 months |
| Anna Ford | non executive | 10 April 2013 | 3 months |
| Andrew Higginson | non executive | 3 July 2012 | 6 months |
| Fiona Laird | non executive | 1 March 2013 | 3 months |
| Simon Patterson | non executive | 13 March 2013 | 3 months |
| Ron McMillan | non executive | 1 March 2013 | 3 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 £41,000 per annum and with Direct Wines Limited for which he is paid a fee of £40,000. Alan White is permitted to retain

both of these fees.

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 was 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

REMUNERATION REPORT

share incentive schemes or performance-based plans and are not eligible to join the company's pension scheme.

Following a review by New Bridge Street in December 2012 the committee recommended to the board that the non-executive directors' fees be revised. Acting on the recommendations of the committee, the board (acting by those directors not interested in the matter)

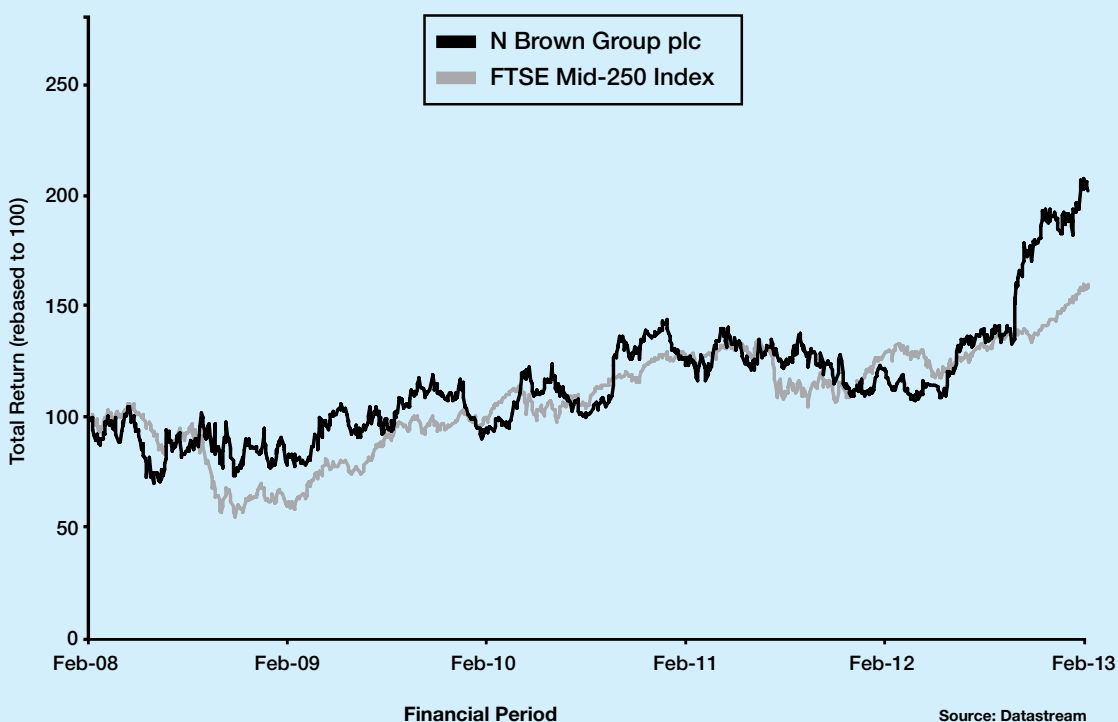
resolved to increase the basic non-executive fee to £47,000 with a supplement of between £5,000 and £8,000 for chairing a committee and £5,000 for acting as senior independent non-executive director.

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 | Taxable benefits ¹ £'000 | Performance- related bonuses ² £'000 | Share award related gains £'000 | 2013 total £'000 | 2012 total £'000 |
|---------------------------------|----------------------------|---|--|--|------------------------|------------------------|
| Executive (salaries) | | | | | | |
| Alan White | 542 | 1 | 382 | 613 | 1,538 | 2,765 |
| Dean Moore | 324 | 1 | 215 | 297 | 837 | 957 |
| Non executive (fees) | | | | | | |
| Lord Alliance of Manchester CBE | 17 | – | – | – | 17 | 17 |
| Andrew Higginson | 150 | – | – | – | 150 | – |
| Nigel Alliance OBE | 15 | – | – | – | 15 | 18 |
| Ivan Fallon | 50 | – | – | – | 50 | 50 |
| Lord Stone of Blackheath | 32 | – | – | – | 32 | 38 |
| John McGuire | 45 | – | – | – | 45 | 45 |
| Anna Ford | 38 | – | – | – | 38 | 38 |
| | 1,213 | 2 | 597 | 910 | 2,722 | 3,928 |

1. Taxable benefits comprise the provision of private medical cover.

2. Included in the performance-related bonus awards stated above are £95,363 for Alan White and £53,802 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 3 Mar 12 ¹ £'000 | Change in accrued pension during year ² £'000 | Accrued pension at 2 Mar 13 ¹ £'000 | Value of net change in accrual during year ^{2,3,4} £'000 | Transfer value of accrued pension at 3 Mar 12 ³ £'000 | Change in transfer value during year ^{3,4,5} £'000 | Transfer value of accrued pension at 2 Mar 13 ³ £'000 |
|------------|---|---|---|--|---|--|---|
| Alan White | 105 | 18 | 126 | 315 | 2,194 | 690 | 2,894 |

1. As Mr White has given his notice to retire, the above pension amounts have been calculated on the assumption he will retire early but based on service to the year end.

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 director's 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.

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 £17,937 (2012, £17,512).

Share options

Details of directors' share options are as follows:

| | At 3 Mar 2012 | Granted in year | Lapsed in year | Exercised in year | At 2 Mar 2013 | Exercise price | Market price at date of exercise | Date from which exercisable | Expiry date |
|------------|---------------|-----------------|----------------|-------------------|---------------|----------------|----------------------------------|-----------------------------|-------------|
| 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 2 March 2013 was 397.0p (2012, 238.8p) and the range during the year was 222.4p to 405.9p.

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 3 Mar 2012 | Awarded in year | Lapsed in year | Exercised in year | At 2 Mar 2013 | Market price at date of award | Market price at date of exercise | Date from which exercisable | Expiry date |
|------------|---------------|-----------------|----------------|-------------------|---------------|-------------------------------|----------------------------------|-----------------------------|-------------|
| Alan White | 53,912 | – | – | (53,912) | – | 250.0p | 261.4p | 28/05/2012 | 27/11/2012 |
| | 38,422 | – | – | – | 38,422 | 288.0p | | 02/06/2013 | 01/12/2013 |
| | – | 20,420 | – | – | 20,420 | 232.0p | | 30/05/2014 | 29/11/2014 |
| | 92,334 | 20,420 | – | (53,912) | 58,842 | | | | |
| Dean Moore | 28,340 | – | – | (28,340) | – | 250.0p | 241.3p | 28/05/2012 | 27/11/2012 |
| | 21,684 | – | – | – | 21,684 | 288.0p | | 02/06/2013 | 01/12/2013 |
| | – | 9,273 | – | – | 9,273 | 232.0p | | 30/05/2014 | 29/11/2014 |
| | 50,024 | 9,273 | – | (28,340) | 30,957 | | | | |

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year were £140,934 and £68,323 respectively.

Long term incentives

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

| | At 3 Mar 2012 | Awarded in year | Lapsed in year | Exercised in year | At 2 Mar 2013 | Market price at date of award | Market price at date of exercise | Date from which exercisable | Expiry date |
|------------|----------------|-----------------|-----------------|-------------------|-----------------------------|-------------------------------|----------------------------------|-----------------------------|-------------|
| Alan White | 212,691 | – | (31,904) | (180,787) | – ¹ | 235.0p | 261.4p | 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 |
| | – | 235,841 | – | – | 235,841 ¹ | 241.0p | | 28/06/2015 | 27/12/2015 |
| | 611,261 | 235,841 | (31,904) | (180,787) | 634,411 | | | | |
| Dean Moore | 111,663 | – | (16,750) | (94,913) | – ¹ | 235.0p | 241.3p | 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 |
| | – | 132,777 | – | – | 132,777 ¹ | 241.0p | | 28/06/2015 | 27/12/2015 |
| | 336,058 | 132,777 | (16,750) | (94,913) | 357,172 | | | | |

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

The total gains made by Alan White and Dean Moore on the exercise of the awards during the year were £472,534 and £229,051 respectively.

REMUNERATION REPORT

Interests

Directors' interests in shares of the company as at the date of this report are as follows:

| | 2013 Ordinary Shares of 11¹/₁₉p each | 2012 Ordinary Shares of 11¹/₁₉p each |
|--|---|---|
| Lord Alliance of Manchester CBE | 75,316,182 | 75,316,182 |
| Lord Alliance of Manchester CBE (non beneficial) | 19,731,784 | 19,731,784 |
| Alan White | 770,474 | 760,316 |
| Dean Moore | 289,219 | 224,572 |
| Andrew Higginson | 82,507 | - |
| Ivan Fallon | 10,000 | 10,000 |
| John McGuire | 9,047 | 9,047 |
| Anna Ford | - | - |
| Ron McMillan | - | - |
| Fiona Laird | - | - |
| Simon Patterson | - | - |

Approval

This report was approved by the board of directors on 17 May 2013 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 52 weeks ended 2 March 2013 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 Flow 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 2 March 2013 and of its profit for the 52 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year 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 the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Directors' Report, in relation to going concern;
- 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 52 weeks ended 2 March 2013.

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

Chartered Accountants and Statutory Auditor
Manchester, UK

17 May 2013

CONSOLIDATED INCOME STATEMENT

| For the 52 weeks ended 2 March 2013 | Note | 2013 £m | 2012 £m |
|---|------|---------------|------------|
| Revenue | 3 | 784.7 | 753.2 |
| Operating profit | 5 | 102.2 | 102.0 |
| Investment income | 7 | 3.9 | 4.3 |
| Finance costs | 8 | (11.0) | (10.7) |
| Profit before taxation and fair value adjustments to financial instruments | | 95.1 | 95.6 |
| Fair value adjustments to financial instruments | 18 | 1.3 | 1.3 |
| Profit before taxation | | 96.4 | 96.9 |
| Taxation | 9 | (17.0) | (15.9) |
| Profit attributable to equity holders of the parent | | 79.4 | 81.0 |
| Adjusted earnings per share | 11 | | |
| Basic | | 28.15p | 28.91p |
| Diluted | | 28.09p | 28.88p |
| Earnings per share | 11 | | |
| Basic | | 28.51p | 29.28p |
| Diluted | | 28.45p | 29.24p |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the 52 weeks ended 2 March 2013 | Note | 2013 £m | 2012 £m |
|---|------|--------------|------------|
| Profit for the period | | 79.4 | 81.0 |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Actuarial losses on defined benefit pension schemes | 28 | (4.0) | (6.2) |
| Tax relating to items not reclassified | 9 | 1.0 | 1.6 |
| | | (3.0) | (4.6) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | 0.4 | (0.2) |
| Total comprehensive income for the period attributable to equity holders of the parent | | 76.8 | 76.2 |

CONSOLIDATED BALANCE SHEET

| As at 2 March 2013 | Note | 2013 £m | 2012 £m |
|--------------------------------------|------|----------------|------------|
| Non-current assets | | | |
| Intangible assets | 12 | 69.6 | 62.8 |
| Property, plant & equipment | 13 | 66.4 | 67.2 |
| Deferred tax assets | 20 | 3.4 | 1.9 |
| | | 139.4 | 131.9 |
| Current assets | | | |
| Inventories | 15 | 86.5 | 82.6 |
| Trade and other receivables | 16 | 548.7 | 522.0 |
| Derivative financial instruments | 18 | 1.2 | - |
| Cash and cash equivalents | 24 | 61.3 | 57.5 |
| | | 697.7 | 662.1 |
| Total assets | | 837.1 | 794.0 |
| Current liabilities | | | |
| Trade and other payables | 21 | (109.7) | (106.6) |
| Derivative financial instruments | 18 | - | (0.1) |
| Current tax liability | | (19.0) | (22.9) |
| | | (128.7) | (129.6) |
| Net current assets | | 569.0 | 532.5 |
| Non-current liabilities | | | |
| Bank loans | 17 | (250.0) | (250.0) |
| Retirement benefit obligation | 28 | (3.3) | (1.0) |
| Deferred tax liabilities | 20 | (9.1) | (11.1) |
| | | (262.4) | (262.1) |
| Total liabilities | | (391.1) | (391.7) |
| Net assets | | 446.0 | 402.3 |
| Equity | | | |
| Share capital | 22 | 31.3 | 31.3 |
| Share premium account | | 11.0 | 11.0 |
| Own shares | 23 | (0.9) | (1.5) |
| Foreign currency translation reserve | | 2.3 | 1.9 |
| Retained earnings | | 402.3 | 359.6 |
| Total equity | | 446.0 | 402.3 |

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 17 May 2013.

They were signed on its behalf by:

Alan White

Dean Moore
Directors

CONSOLIDATED CASH FLOW STATEMENT

| For the 52 weeks ended 2 March 2013 | Note | 2013 £m | 2012 £m |
|---|------|---------------|------------|
| Net cash from operating activities | | 72.4 | 56.5 |
| Investing activities | | | |
| Purchases of property, plant and equipment | | (7.1) | (5.7) |
| Purchases of intangible assets | | (17.9) | (19.2) |
| Interest received | | 0.1 | 0.1 |
| Net cash used in investing activities | | (24.9) | (24.8) |
| Financing activities | | | |
| Interest paid | | (6.9) | (7.9) |
| Dividends paid | | (36.8) | (35.0) |
| Increase in bank loans | | - | 20.0 |
| Purchase of shares by ESOT | | (0.5) | (1.0) |
| Proceeds on issue of shares held by ESOT | | 0.5 | 0.6 |
| Net cash used in financing activities | | (43.7) | (23.3) |
| Net increase in cash and cash equivalents | | 3.8 | 8.4 |
| Cash and cash equivalents at beginning of period | | 57.5 | 49.1 |
| Cash and cash equivalents at end of period | 24 | 61.3 | 57.5 |

RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

| For the 52 weeks ended 2 March 2013 | 2013 £m | 2012 £m |
|---|--------------|------------|
| Operating profit | 102.2 | 102.0 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 7.9 | 7.6 |
| Amortisation of intangible assets | 11.1 | 8.6 |
| Share option charge | 2.1 | 2.2 |
| Operating cash flows before movements in working capital | 123.3 | 120.4 |
| Increase in inventories | (3.9) | (4.5) |
| Increase in trade and other receivables | (26.4) | (30.7) |
| Increase/(decrease) in trade and other payables | 3.1 | (7.5) |
| Pension obligation adjustment | (1.9) | (1.6) |
| Cash generated by operations | 94.2 | 76.1 |
| Taxation paid | (21.8) | (19.6) |
| Net cash from operating activities | 72.4 | 56.5 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £m Note 22 | Share premium £m | Own shares £m Note 23 | Foreign currency translation reserve £m | Retained earnings £m | Total £m |
|--|-----------------------------------|------------------------|--------------------------------|---|----------------------------|---------------|
| Changes in equity for the 52 weeks ended 2 March 2013 | | | | | | |
| Balance as at 3 March 2012 | 31.3 | 11.0 | (1.5) | 1.9 | 359.6 | 402.3 |
| Profit for the period | - | - | - | - | 79.4 | 79.4 |
| Other items of comprehensive income for the period | - | - | - | 0.4 | (3.0) | (2.6) |
| Total comprehensive income for the period | - | - | - | 0.4 | 76.4 | 76.8 |
| Equity dividends | - | - | - | - | (36.8) | (36.8) |
| Purchase of own shares by ESOT | - | - | (0.5) | - | - | (0.5) |
| Issue of own shares by ESOT | - | - | 1.1 | - | - | 1.1 |
| Adjustment to equity for share payments | - | - | - | - | (0.6) | (0.6) |
| Share option charge | - | - | - | - | 2.1 | 2.1 |
| Tax on items recognised directly in equity | - | - | - | - | 1.6 | 1.6 |
| Balance at 2 March 2013 | 31.3 | 11.0 | (0.9) | 2.3 | 402.3 | 446.0 |
| 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 |

NOTES TO THE GROUP ACCOUNTS

1 General information

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is listed at the end of the report. The nature of the group's operations and its principal activities are set out on page 18 of the directors' report.

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

The group's financial statements for the 52 weeks ended 2 March 2013 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 and will not have any 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 which are not yet effective 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. It is likely that the transition to an effective loss provisioning basis will potentially increase the overall provision for trade receivables but the group has not yet finalised the assessment of likely impact;
- 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

NOTES TO THE GROUP ACCOUNTS

IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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

Accounting period

Throughout the accounts, the directors report and financial review, reference to 2013 means at 2 March 2013 or the 52 weeks then ended; reference to 2012 means at 3 March 2012 or the 53 weeks then ended unless otherwise stated.

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 is 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 on the date

control is acquired 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 not amortised, but 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 even where payments are not made on such a basis.

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 group, 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

NOTES TO THE GROUP ACCOUNTS

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

Financial instruments

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

Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired based on specific customer patterns of behaviour which may be affected by external economic conditions. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment could include the group's past experience of collecting payments and observable changes in national and local economic conditions that could correlate with a default event.

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 income statement 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 income statement 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

NOTES TO THE GROUP ACCOUNTS

based on assumed collection rates which, although based on the group's historical experience of customer repayment patterns, remains inherently uncertain. As a result this is continually assessed for relevance and adjusted appropriately. Further information is given in note 16.

Inventory

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

Pensions

The liability recognised in the balance sheet in respect of the group's defined benefit pension obligations represents the liabilities of the group's pension scheme after deduction of the fair value of the related assets. The scheme's liabilities are derived by estimating the ultimate cost of benefits payable by the scheme and reflecting the discounted value of the proportion accrued by the year end.

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on high quality bonds with a similar duration to the scheme's liabilities. This rate is potentially subject to significant variation and changes to these rates could have a significant impact on the net deficit.

Going concern

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

The group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the audited financial

statements. These have been appraised in light of the uncertainty in the current economic climate. As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key 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, which 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.

| 3 Revenue | 2013 | 2012 |
|---|--------------|-------------|
| | £m | £m |
| An analysis of the group's revenue is as follows: | | |
| Sale of goods | 557.8 | 534.8 |
| Rendering of services | 226.9 | 218.4 |
| Revenue | 784.7 | 753.2 |
| Investment income | 3.9 | 4.3 |
| Total revenue | 788.6 | 757.5 |

NOTES TO THE GROUP ACCOUNTS

| 4 Business segments | 2013 £m | 2012 £m |
|---|------------|------------|
| Revenue | | |
| Home Shopping | 784.7 | 753.2 |
| Operating profit | | |
| Segment result & operating profit – Home Shopping | 102.2 | 102.0 |
| Fair value adjustments to financial instruments | 1.3 | 1.3 |
| Investment income | 3.9 | 4.3 |
| Finance costs | (11.0) | (10.7) |
| Profit before taxation | 96.4 | 96.9 |
| Taxation | (17.0) | (15.9) |
| Profit after tax | 79.4 | 81.0 |

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, which management now analyse as including Ireland, amounted to £30.2m (2012, £30.7m) and incurred operating losses of £1.9m (2012, £1.5m). 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 (2012, £nil).

Other information

| | 2013 £m | 2012 £m |
|-------------------------------|------------|------------|
| Capital additions | 25.0 | 24.9 |
| Depreciation and amortisation | 19.0 | 16.2 |
| Balance sheet | | |
| Total segment assets | 833.7 | 792.1 |
| Total segment liabilities | (363.0) | (357.7) |
| Segment net assets | 470.7 | 434.4 |
| Unallocated assets | 3.4 | 1.9 |
| Unallocated liabilities | (28.1) | (34.0) |
| Consolidated net assets | 446.0 | 402.3 |

NOTES TO THE GROUP ACCOUNTS

| 5 Profit for the period | 2013 | 2012 |
|--------------------------------|----------------|-------------|
| | £m | £m |
| Continuing operations | | |
| Revenue | 784.7 | 753.2 |
| Cost of sales | (368.6) | (354.2) |
| Gross profit | 416.1 | 399.0 |
| Distribution costs | (66.3) | (64.8) |
| Sales and administration costs | (247.6) | (232.2) |
| Operating profit | 102.2 | 102.0 |

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

| | 2013 | 2012 |
|---|--------------|-------------|
| | £m | £m |
| Net foreign exchange gains | (3.6) | (2.9) |
| Depreciation of property, plant and equipment | 7.9 | 7.6 |
| Amortisation of intangible assets | 11.1 | 8.6 |
| Cost of inventories recognised as expense | 234.7 | 227.5 |
| Staff costs | 80.3 | 77.7 |
| Auditor's remuneration for audit services (see below) | 0.3 | 0.2 |

Amounts payable to Deloitte LLP and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £0.9m (2012, £0.4m).

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

| | 2013 | 2012 |
|---|-------------|-------------|
| | £m | £m |
| Audit fees: | | |
| The audit of the company's subsidiaries pursuant to legislation | 0.3 | 0.2 |
| Other services: | | |
| Tax services | 0.9 | 0.4 |

Fees payable for tax services relate to tax advisory services of £0.7m (2012, £0.3m) and compliance of £0.2m (2012, £0.1m).

Fees payable to the company's auditor for the audit of the company's annual accounts were £10,000 (2012, £10,000).

Within the fees for audit of the company's subsidiaries pursuant to legislation there are other assurance fees totalling £30,000 (2012, £25,000)

In addition to the amounts shown above, the auditors received fees of £5,000 (2012, £5,000) 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 | 2013 | 2012 |
|--|--------------|-------------|
| The average monthly number of employees (including executive directors) was: | | |
| Distribution | 955 | 986 |
| Sales and administration | 2,299 | 2,283 |
| | 3,254 | 3,269 |
| | | |
| Their aggregate remuneration comprised | £m | £m |
| Wages and salaries | 66.8 | 64.4 |
| Social security costs | 7.2 | 7.3 |
| Other pension costs (see note 28) | 4.2 | 3.8 |
| Share options costs (see note 27) | 2.1 | 2.2 |
| | 80.3 | 77.7 |

Details of individual director's remuneration is disclosed in the remuneration report on page 39.

NOTES TO THE GROUP ACCOUNTS

| | 2013 £m | 2012 £m |
|--|------------|------------|
| 7 Investment income | | |
| Interest on bank deposits | 0.1 | 0.1 |
| Expected return on pension assets (see note 28) | 3.8 | 4.2 |
| | 3.9 | 4.3 |
| 8 Finance costs | | |
| Interest on bank overdrafts and loans | 7.0 | 6.8 |
| Interest on pension scheme liabilities (see note 28) | 4.0 | 3.9 |
| | 11.0 | 10.7 |
| 9 Tax | | |
| Current tax – charge for the period | 23.9 | 25.5 |
| Current tax – adjustment in respect of previous periods | (4.9) | (10.5) |
| Deferred tax (see note 20) | (2.0) | (0.9) |
| Deferred tax – adjustment in respect of previous periods (see note 20) | - | 1.8 |
| | 17.0 | 15.9 |

UK Corporation tax is calculated at 24.17% (2012, 26.17%) 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:

| | 2013 £m | 2012 £m |
|--|------------|------------|
| Profit before tax: | 96.4 | 96.9 |
| Tax at the UK corporation tax rate of 24.17% (2012, 26.17%) | 23.3 | 25.4 |
| Effect of change in deferred tax rate | (0.7) | (0.9) |
| Tax effect of expenses that are not deductible in determining taxable profit | 0.5 | 0.5 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (1.2) | (0.4) |
| Tax effect of adjustments in respect of previous periods | (4.9) | (8.7) |
| Tax expense for the period | 17.0 | 15.9 |

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

| | 2013 £m | 2012 £m |
|---|------------|------------|
| Deferred tax – retirement benefit obligations | (1.0) | (1.6) |
| Tax credit in the statement of comprehensive income | (1.0) | (1.6) |
| | (2.0) | (3.2) |
| Current tax – share based payments | (1.1) | (1.3) |
| Deferred tax – share based payments | (0.5) | 2.4 |
| Tax charge/(credit) in the statement of changes in equity | (1.6) | 1.1 |

On 21 March 2013 the government announced that it intends to further reduce the rate of corporation tax to 21.0% with effect from 1 April 2014 and to 20.0% on 1 April 2015. The impact of this post-balance sheet event is not reflected in the tax balances reported above.

NOTES TO THE GROUP ACCOUNTS

| 10 Dividends | 2013 £m | 2012 £m |
|--|--------------------|--------------------|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the 53 weeks ended 3 March 2012 of 7.74p (2011, 7.37p) per share | 21.5 | 20.3 |
| Interim dividend for the 52 weeks ended 2 March 2013 of 5.45p (2012, 5.29p) per share | 15.3 | 14.7 |
| | 36.8 | 35.0 |
| Proposed final dividend for the 52 weeks ended 2 March 2013 of 8.23p (2012, 7.74p) per share | 22.9 | 21.5 |

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

11 Earnings per share

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

| Earnings | 2013 £m | 2012 £m |
|---|------------------------|------------------------|
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent | 79.4 | 81.0 |
| | 2013 Number | 2012 Number |
| Number of shares ('000s) | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 278,536 | 276,681 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 529 | 367 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 279,065 | 277,048 |
| | 2013 £m | 2012 £m |
| Adjusted earnings | | |
| Net profit attributable to equity holders of the parent | 79.4 | 81.0 |
| Fair value adjustment to financial instruments (net of tax) | (1.0) | (1.0) |
| Adjusted earnings for the purposes of adjusted earnings per share | 78.4 | 80.0 |

The denominators used are the same as those detailed above for 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 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 |
| Additions | - | 17.9 | - | 17.9 |
| At 2 March 2013 | 16.9 | 146.0 | 1.9 | 164.8 |
| Amortisation | | | | |
| 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 |
| Charge for the period | - | 11.1 | - | 11.1 |
| At 2 March 2013 | - | 93.3 | 1.9 | 95.2 |
| Carrying amount | | | | |
| At 2 March 2013 | 16.9 | 52.7 | - | 69.6 |
| At 3 March 2012 | 16.9 | 45.9 | - | 62.8 |
| At 26 February 2011 | 16.8 | 35.4 | - | 52.2 |

Assets in the course of construction included in intangible assets at the year end total £12.4m (2012 £13.8m). 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, Slimma, Figleaves, Diva and Dannimac 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 post tax cash flows is 5.7% (2012, 5.7%). The directors consider that the value in use calculation has sufficient headroom above the carrying value of the brand names. Should there be a materially adverse change in the key assumptions noted above this could result in an impairment.

NOTES TO THE GROUP ACCOUNTS

| 13 Property, plant and equipment | Land and Buildings £m | Fixtures and Equipment £m | Total £m |
|--|----------------------------------|--------------------------------------|---------------------|
| Cost | | | |
| 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 |
| Additions | - | 7.1 | 7.1 |
| At 2 March 2013 | 46.2 | 112.3 | 158.5 |
| Accumulated depreciation and impairment | | | |
| 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 |
| Charge for the period | 0.9 | 7.0 | 7.9 |
| At 2 March 2013 | 10.4 | 81.7 | 92.1 |
| Carrying amount | | | |
| At 2 March 2013 | 35.7 | 30.7 | 66.4 |
| At 3 March 2012 | 36.7 | 30.5 | 67.2 |
| At 26 February 2011 | 37.7 | 31.4 | 69.1 |

Assets in the course of construction included in property, plant and equipment at the year end date total £2.1m (2012, £1.8m), no depreciation has been charged on these assets.

At 2 March 2013, the group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012, £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 | 2013 £m | 2012 £m |
|-----------------------|--------------------|--------------------|
| Finished goods | 85.2 | 78.7 |
| Sundry stocks | 1.3 | 3.9 |
| | 86.5 | 82.6 |

NOTES TO THE GROUP ACCOUNTS

| 16 Trade and other receivables | 2013 £m | 2012 £m |
|--|--------------------|--------------------|
| Amount receivable for the sale of goods and services | 583.5 | 551.1 |
| Allowance for doubtful debts | (55.7) | (49.3) |
| | 527.8 | 501.8 |
| Other debtors and prepayments | 20.9 | 20.2 |
| | 548.7 | 522.0 |

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 246 days (2012, 243 days). Interest is charged at 39.9% (2012, 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 £68.8m at 2 March 2013 (2012, £66.5m).

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 | 2013 £m | 2012 £m |
|------------------------------------|--------------------|--------------------|
| Current | 437.9 | 418.1 |
| 0 – 28 days | 74.0 | 64.5 |
| 29 – 56 days | 28.7 | 28.5 |
| 57 – 84 days | 17.1 | 16.4 |
| 85 – 112 days | 14.1 | 11.8 |
| Over 112 days | 11.7 | 11.8 |
| Total | 583.5 | 551.1 |

| Movement in the allowance for doubtful debts | 2013 £m | 2012 £m |
|---|--------------------|--------------------|
| Balance at the beginning of the period | 49.3 | 45.1 |
| Amounts charged net to the income statement | 63.2 | 58.0 |
| Net amounts written off | (56.8) | (53.8) |
| Balance at the end of the period | 55.7 | 49.3 |

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.5 million (2012, 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 | 2013 £m | 2012 £m |
|---|--------------------|--------------------|
| Bank loans | 250.0 | 250.0 |
| The borrowings are repayable as follows: | | |
| Within one year | - | - |
| In the second year | - | - |
| In the third to fifth year | 250.0 | 250.0 |
| Amounts due for settlement after 12 months | 250.0 | 250.0 |
| All borrowings are held in sterling | | |
| | 2013 | 2012 |
| | % | % |
| The weighted average interest rates paid were as follows: | | |
| Bank overdrafts | 2.0 | 2.0 |
| Bank loans | 0.7 | 0.8 |

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

- (i) Bank overdrafts which are nil at the current and prior year ends are repayable on demand, unsecured and bear interest at a margin over bank base rates.
- (ii) The group has a bank loan of £220m (2012, £220m) 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 for which finance costs are linked to US commercial paper rates which is committed until March 2016.

In addition the group has unsecured bank loans of £30m (2012, £30m) 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 2 March 2013 the estimated future interest cost per annum until maturity would be £1.8m (2012, £2.1m).

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:

| | 2013 £m | 2012 £m |
|------------------------------|--------------------|--------------------|
| On demand or within one year | 1.8 | 2.1 |
| In the second year | 1.8 | 2.1 |
| In the third to fourth year | 251.8 | 2.1 |
| In the fifth year | - | 252.1 |
| | 255.4 | 258.4 |

At 2 March 2013, the group had available £120m (2012, £120m) 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:

| | 2013 £m | 2012 £m |
|--|------------|------------|
| Notional amount – Sterling contract value | 22.1 | 43.6 |
| Fair value of asset/(liability) recognised | 1.2 | (0.1) |

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £1.3m (2012, credit of £1.3m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2012, 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 (2012, 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:

| | 2013 £m | 2012 £m |
|---------------------------|------------|------------|
| Debt | 250.0 | 250.0 |
| Cash and cash equivalents | (61.3) | (57.5) |
| Net Debt | 188.7 | 192.5 |
| Equity | 446.0 | 402.3 |
| Gearing ratio | 42% | 48% |

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:

| | 2013 £m | 2012 £m |
|--------------------|-------------|-------------|
| Less than 6 months | 16.5 | 20.7 |
| 6 to 12 months | 5.6 | 17.9 |
| 12 to 18 months | - | 5.0 |
| | 22.1 | 43.6 |

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 | |
|-----------|-------------|------------|------------|------------|
| | 2013 £m | 2012 £m | 2013 £m | 2012 £m |
| Euro | 2.0 | 2.0 | 10.1 | 11.0 |
| US dollar | 1.9 | 4.6 | 2.0 | 4.7 |

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 | |
|-----------------------------|----------------------------|------------|---------------------------------|------------|
| | 2013 £m | 2012 £m | 2013 £m | 2012 £m |
| Income statement | | | | |
| Sterling strengthens by 10% | 0.9 | 1.0 | - | - |
| Sterling weakens by 10% | (0.7) | (0.8) | - | - |

Categories of financial instruments

| | 2013 £m | 2012 £m |
|--|----------------|----------------|
| Financial assets | | |
| Cash and bank balances | 61.3 | 57.5 |
| Derivatives at fair value through profit and loss - held for trading | 1.2 | - |
| Loans and receivables | 527.8 | 501.8 |
| | 590.3 | 559.3 |
| Financial liabilities | | |
| Derivatives at fair value through profit and loss - held for trading | - | (0.1) |
| Amortised cost | (250.0) | (250.0) |
| | (250.0) | (250.1) |

NOTES TO THE GROUP ACCOUNTS

19 Financial instruments continued

Interest rate risk management

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

Interest rate sensitivity analysis

If interest rates had increased by 0.5% and all other variables were held constant, the group's profit before tax for the 52 weeks ended 2 March 2013 would have decreased by £1.25m (2012, £1.25m).

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 | Accelerated tax depreciation £m | Retirement benefit obligations £m | Other £m | Total £m |
|---------------------------|----------------------------|------------------------------------|--------------------------------------|--------------|--------------|
| 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) |
| Credit/(charge) to income | 0.4 | 1.4 | (0.4) | 0.6 | 2.0 |
| Credit to equity | 0.5 | - | 1.0 | - | 1.5 |
| At 2 March 2013 | 2.4 | (7.1) | 0.8 | (1.8) | (5.7) |

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:

| | 2013 £m | 2012 £m |
|--------------------------|--------------|--------------|
| Deferred tax assets | 3.4 | 1.9 |
| Deferred tax liabilities | (9.1) | (11.1) |
| | (5.7) | (9.2) |

At the balance sheet date, the group has unused tax losses of £0.1m (2012, £0.1m) and capital losses of £4.4m (2012, £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

| | 2013 £m | 2012 £m |
|---------------------------------|--------------|--------------|
| Trade payables | 63.5 | 61.5 |
| Other taxes and social security | 17.4 | 14.7 |
| Other creditors | 0.6 | 0.4 |
| Accruals and deferred income | 28.2 | 30.0 |
| | 109.7 | 106.6 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 38 days (2012, 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 | 2013 Number | 2012 Number | 2013 £m | 2012 £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 3 March 2012 | 283,429,454 | 280,429,454 | 31.3 | 31.0 |
| Ordinary shares issued | - | 3,000,000 | - | 0.3 |
| At 2 March 2013 | 283,429,454 | 283,429,454 | 31.3 | 31.3 |

Last year 3,000,000 ordinary shares were issued to the N Brown Group plc Employee Share Ownership Trust for £331,736. The company has one class of ordinary shares which carry no right to fixed income.

| 23 Own shares | 2013 £m | 2012 £m |
|--|------------|------------|
| Balance at 3 March 2012 | 1.5 | 1.2 |
| Additions | 0.5 | 1.3 |
| Issue of own shares on exercise of share options | (1.1) | (1.0) |
| Balance at 2 March 2013 | 0.9 | 1.5 |

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

At 2 March 2013 the employee trusts held 4,324,171 shares in the company (2012, 5,911,974).

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:

| | 2013 £m | 2012 £m |
|-----------|-------------|-------------|
| Sterling | 58.3 | 50.2 |
| Euro | 1.7 | 2.7 |
| US Dollar | 1.3 | 4.6 |
| | 61.3 | 57.5 |

25 Contingent liabilities

Parent company borrowings which at 2 March 2013 amounted to £41.0m (2012, £21.5m) have been guaranteed by certain subsidiary undertakings.

26 Operating lease arrangements

| | 2013 £m | 2012 £m |
|---|------------|------------|
| Minimum lease payments under operating leases recognised as an expense for the period | 6.2 | 5.2 |

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:

| | 2013 £m | 2012 £m |
|--|-------------|-------------|
| Within one year | 0.8 | 0.9 |
| In the second to fifth years inclusive | 17.3 | 20.5 |
| After five years | 6.2 | 7.5 |
| | 24.3 | 28.9 |

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 33 to 42 contains details of management and sharesave options/awards offered to employees of the group.

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

| | Option price in pence | Exercise period | Number of shares 2013 | Number of shares 2012 |
|--|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Option scheme | | | | |
| 2000 Savings related scheme | 186 – 269 | August 2012 – February 2018 | 1,651,533 | 1,639,816 |
| 2000 Executive scheme | 106 – 341 | June 2007 – May 2022 | 1,885,983 | 1,797,485 |
| Unapproved executive scheme | 211 – 341 | May 2009 – June 2022 | 1,289,129 | 1,104,730 |
| Long-term incentive scheme awards | | | | |
| May 2009 | – | May 2012 – November 2012 | - | 1,166,576 |
| July 2010 | – | July 2013 – January 2014 | 1,022,829 | 1,180,129 |
| July 2011 | – | July 2014 – January 2015 | 1,037,011 | 1,158,928 |
| June 2012 | – | June 2015 – December 2015 | 1,431,687 | - |
| Deferred annual bonus scheme awards | | | | |
| May 2010 | – | May 2012 – November 2012 | - | 299,365 |
| June 2011 | – | June 2013 – December 2013 | 199,344 | 233,926 |
| May 2012 | – | May 2014 – November 2014 | 117,014 | - |

NOTES TO THE GROUP ACCOUNTS

27 Equity settled share based payments continued

Movements in share options are summarised as follows:

| | 2013 | | 2012 | |
|---|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
| | Number of share options | Weighted average exercise price £ | Number of share options | Weighted average exercise price £ |
| Outstanding at the beginning of the period | 4,542,031 | 2.39 | 4,315,613 | 2.24 |
| Granted during the period | 1,516,431 | 2.07 | 1,544,936 | 2.65 |
| Forfeited during the period | (353,785) | 2.31 | (521,491) | 2.00 |
| Exercised during the period | (878,032) | 2.33 | (797,027) | 2.33 |
| Outstanding at the end of the period | 4,826,645 | 2.31 | 4,542,031 | 2.39 |
| Exercisable at the end of the period | 493,390 | 2.33 | 611,602 | 2.34 |

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 295 pence (2012, 264 pence). The options outstanding at 2 March 2013 had a weighted average remaining contractual life of 6.1 years (2012, 6.0 years). The aggregate estimated fair values of options granted in the period is £881,000 (2012, £1,041,000).

Movements in management share awards are summarised as follows:

| | 2013 | | 2012 | |
|---|------------------------|--------------------------------------|------------------------|--------------------------------------|
| | Number of share awards | Weighted average exercise price £ | Number of share awards | Weighted average exercise price £ |
| Outstanding at the beginning of the period | 4,038,924 | - | 7,788,004 | - |
| Granted during the period | 1,554,871 | - | 1,493,670 | - |
| Forfeited during the period | (433,784) | - | (3,427,987) | - |
| Exercised during the period | (1,352,126) | - | (1,814,763) | - |
| Outstanding at the end of the period | 3,807,885 | - | 4,038,924 | - |
| Exercisable at the end of the period | - | - | - | - |

The awards outstanding at 2 March 2013 had a weighted average remaining contractual life of 1.9 years (2012, 1.7 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:

| | 2013 | 2012 |
|---|-------------|-------------|
| Weighted average share price at date of grant (pence) | 239 | 278 |
| Weighted average exercise price (pence) | 102 | 135 |
| Expected volatility (%) | 32.6 - 39.4 | 37.9 - 41.0 |
| Expected life (years) | 2.5 - 5.5 | 2.5 - 5.5 |
| Risk-free rate (%) | 0.4 | 1.5 |
| Dividend yield (%) | 5.4 | 4.4 |

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

The group recognised total expenses of £2.1m and £2.2m related to equity-settled share based payment transactions in 2013 and 2012 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 £2.1m (2012, £2.0m) represents contributions payable to the schemes by the group at rates specified in the rules of the plans. As at 2 March 2013, contributions of £0.2m (2012, £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:

| | 2013 | 2012 |
|--|-------|-------|
| Discount rate | 4.55% | 4.8% |
| Expected return on scheme assets | 4.5% | 4.6% |
| Expected rate of salary increase | 4.5% | 4.4% |
| Future pension increases | 2.15% | 2.4% |
| Inflation – Retail Price Index | 3.5% | 3.4% |
| Inflation – Consumer Price Index | 2.5% | 2.4% |
| Life expectancy at age 65 (years) | | |
| Pensioner aged 65 | 23.8 | 23.8 |
| Non-pensioner aged 45 | 26.8 | 26.8 |
| | 2013 | 2012 |
| Amounts recognised in income in respect of these defined benefit schemes are as follows: | £m | £m |
| Current service cost | 2.1 | 1.8 |
| Interest cost | 4.0 | 3.9 |
| Expected return on scheme assets | (3.8) | (4.2) |
| | 2.3 | 1.5 |

Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial losses since transition to IFRS were £4.1m (2012, actuarial losses of £0.1m).

The actual return on scheme assets was a gain of £6.3m (2012, gain of £8.4m).

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

NOTES TO THE GROUP ACCOUNTS

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:

| | 2013 £m | 2012 £m |
|---|------------|------------|
| Present value of defined benefit obligations | (94.3) | (83.3) |
| Fair value of scheme assets | 91.0 | 82.3 |
| Deficit in the scheme and liability recognised in the balance sheet | (3.3) | (1.0) |

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

| | 2013 £m | 2012 £m |
|------------------------|-------------|-------------|
| At 3 March 2012 | 83.3 | 68.5 |
| Service cost | 2.1 | 1.8 |
| Interest cost | 4.0 | 3.9 |
| Actuarial losses | 6.5 | 10.4 |
| Benefits paid | (1.6) | (1.3) |
| At 2 March 2013 | 94.3 | 83.3 |

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

| | 2013 £m | 2012 £m |
|---|-------------|-------------|
| At 3 March 2012 | 82.3 | 71.8 |
| Expected return on scheme assets | 3.8 | 4.2 |
| Actuarial gains | 2.5 | 4.2 |
| Contributions from sponsoring companies | 4.0 | 3.4 |
| Benefits paid | (1.6) | (1.3) |
| At 2 March 2013 | 91.0 | 82.3 |

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 | |
|----------|-----------------|-----------|----------------------|------------|
| | 2013 % | 2012 % | 2013 £m | 2012 £m |
| Equities | 6.8 | 6.8 | 41.7 | 39.5 |
| Bonds | 2.5 | 2.6 | 47.5 | 41.2 |
| Cash | - | 0.5 | - | 1.6 |
| Property | 6.8 | - | 1.8 | - |
| | 4.5 | 4.6 | 91.0 | 82.3 |

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:

| | 2013 £m | 2012 £m | 2011 £m | 2010 £m | 2009 £m |
|---|------------|------------|------------|------------|------------|
| Present value of defined benefit obligations | (94.3) | (83.3) | (68.5) | (66.0) | (50.8) |
| Fair value of scheme assets | 91.0 | 82.3 | 71.8 | 64.2 | 46.8 |
| (Deficit)/surplus in the scheme | (3.3) | (1.0) | 3.3 | (1.8) | (4.0) |
| Experience adjustments on scheme liabilities Amount (£m) | - | - | - | 2.2 | - |
| Percentage of scheme liabilities (%) | 0% | 0% | 0% | 3% | 0% |
| Difference between expected and actual return on scheme assets: Amount (£m) | 2.5 | 4.2 | 3.4 | 10.6 | (11.7) |
| Percentage of scheme assets (%) | 3% | 5% | 5% | 16% | (25%) |

The group currently contributes 10% of scheme salaries per annum to the defined benefit scheme in respect of the future accrual of benefits (plus "SMART" contributions in respect of members' contributions under salary sacrifice arrangements), and is expected to contribute £2.5m to the defined benefit scheme by 31 March 2013, as agreed following the 2009 valuation. Contributions for the next financial year will be determined once the 30 June 2012 valuation is finalised.

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 are given on page 39 of the remuneration report.

INDEPENDENT AUDITOR'S REPORT - COMPANY ACCOUNTS

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

We have audited the parent company financial statements of N Brown Group plc for the 52 weeks ended 2 March 2013 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 2 March 2013 and of its profit for the 52 weeks then ended;
- 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 52 weeks ended 2 March 2013.

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

Chartered Accountants and
Statutory Auditor
Manchester, UK

17 May 2013

COMPANY BALANCE SHEET

| As at 2 March 2013 | Note | 2013 £m | 2012 £m |
|--|------|----------------|------------|
| Fixed assets | | | |
| Investments | 3 | 344.9 | 267.9 |
| | | 344.9 | 267.9 |
| Current assets | | | |
| Debtors | 4 | 21.6 | 100.1 |
| | | 21.6 | 100.1 |
| Creditors | | | |
| Amounts falling due within one year | 5 | (226.1) | (233.5) |
| Net current liabilities | | (204.5) | (133.4) |
| Total assets less current liabilities | | 140.4 | 134.5 |
| Non current liabilities | | | |
| Bank loans | 6 | (30.0) | (30.0) |
| Net assets | | 110.4 | 104.5 |
| Capital and reserves | | | |
| Called-up share capital | 7 | 31.3 | 31.3 |
| Share premium account | 8 | 11.0 | 11.0 |
| Profit and loss account | 8 | 68.1 | 62.2 |
| Equity shareholders' funds | | 110.4 | 104.5 |

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 17 May 2013.

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 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 2 March 2013 of £42.7m (2012, profit £38.3m).

The non executive directors' remuneration was £345,750 (2012, £206,000) and seven non executive directors were remunerated (2012, six). The executive directors were remunerated by a subsidiary company in both years. Further details are provided on page 39 of the remuneration report.

The auditor's remuneration for audit services to the company of £10,000 (2012, £10,000) was borne by subsidiary undertakings.

3 Fixed asset investment

Cost and net book value

| | |
|-----------------|--------------|
| At 3 March 2012 | 267.9 |
| Additions | 77.0 |
| At 2 March 2013 | 344.9 |

Additions in the year relate to a further capital injection in N B Finance via its holding company Nochester Holdings.

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 |
| N B Finance | Financing and ancillary services | Republic of Ireland | 100 |
| N B Malta No2 Limited | Financing and ancillary services | Malta | 100 |

NOTES TO THE COMPANY ACCOUNTS

| 4 Debtors | 2013 £m | 2012 £m |
|---|--------------------|--------------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 21.1 | 99.6 |
| Prepayments and accrued income | 0.5 | 0.5 |
| | 21.6 | 100.1 |
| | 2013 £m | 2012 £m |
| 5 Creditors | | |
| Amounts falling due within one year: | | |
| Bank loans and overdrafts | 41.0 | 21.5 |
| Trade creditors | 0.3 | 0.4 |
| Amounts owed to group undertakings | 184.5 | 211.3 |
| Accruals and deferred income | 0.3 | 0.3 |
| | 226.1 | 233.5 |
| | 2013 £m | 2012 £m |
| 6 Bank loans | | |
| Bank overdrafts | 41.0 | 21.5 |
| Bank loans | 30.0 | 30.0 |
| | 71.0 | 51.5 |
| The borrowings are repayable as follows: | | |
| On demand within one year | 41.0 | 21.5 |
| In the second year | - | - |
| In the third to fifth year | 30.0 | 30.0 |
| | 71.0 | 51.5 |
| Less: amounts due for settlement within 12 months (shown under current liabilities) | (41.0) | (21.5) |
| Amounts due for settlement after 12 months | 30.0 | 30.0 |
| <p>The company has unsecured bank loans of £30m (2012, £30m) drawn down under a medium term bank revolving credit facility committed until March 2016.</p> <p>At 2 March 2013, the company had available £90m (2012, £90m) 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> | | |
| | 2013 % | 2012 % |
| Bank overdrafts | 2.0 | 2.0 |
| Bank loans | 1.8 | 1.4 |

NOTES TO THE COMPANY ACCOUNTS

| 7 Share capital | 2013 Number | 2012 Number | 2013 £m | 2012 £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 3 March 2012 | 283,429,454 | 280,429,454 | 31.3 | 31.0 |
| Ordinary shares issued | - | 3,000,000 | - | 0.3 |
| At 2 March 2013 | 283,429,454 | 283,429,454 | 31.3 | 31.3 |

Last year 3,000,000 ordinary shares were issued to the N Brown Group Employee Share Ownership Trust for £331,736. 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 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 |
| Balance at 2 March 2012 | 31.3 | 11.0 | 62.2 | 104.5 |
| Dividends paid | - | - | (36.8) | (36.8) |
| Profit for the financial period | - | - | 42.7 | 42.7 |
| At 2 March 2013 | 31.3 | 11.0 | 68.1 | 110.4 |

9 Guarantees

Parent company borrowings which at 2 March 2013 amounted to £41.0m (2012, £21.5m) 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

| | | |
|-------------|------------|--|
| 2012 | 16 October | Announcement of interim results |
| | 7 December | Closing of register for interim dividend |
| 2013 | 4 January | Payment of interim dividend |
| | 2 March | Financial year-end |
| | 24 April | Preliminary announcement of annual results |
| | 30 May | Publication of 2013 annual report and accounts |
| | 28 June | Closing of register for final dividend |
| | 2 July | Annual general meeting |
| | 26 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

Corporate Brokers

Credit Suisse Securities (Europe) Ltd
Jefferies Hoare Govett

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.

Griffin House
40 Lever Street
Manchester, M60 6ES
www.nbrown.co.uk

