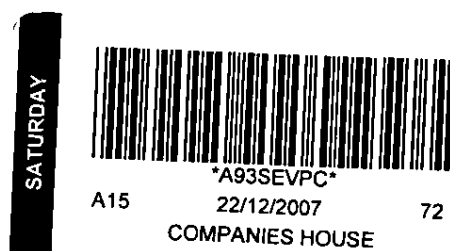


J.D. Williams & Company Limited

Annual Report and Financial Statements
for the 52 week period ended 24 February 2007

Registered number 178367



Directors' report

For the 52 week period ended 24 February 2007

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the 52 week period ended 24 February 2007

Enhanced Business Review

The principal activity of the company continues to be retailing through direct home shopping. The company's strategy is to grow sales and profit in all customer groups and product categories, supported by improvements in customer service, internet penetration and driving efficiencies in our operating costs.

On 30 June 2006 the company acquired the entire share capital of Gray & Osbourn Limited for £9.3m. Its principal activity is direct home shopping by catalogue.

Results and dividends

Turnover increased by £39.4 million (8.7%) during the period to £493.7 million and profit before tax increased by £13.4 million to £54.9 million.

Results, dividends and recommended transfers to reserves are as follows

	£'000
Retained profit at 25 February 2006 as restated	156,226
Profit for the financial period	36,528
Credit to equity for equity settled share based payment	1,119
Dividends	(100,000)
Retained profit at 24 February 2007	<u>93,873</u>

Key performance indicators

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

	2007	2006
Sales	£493.7m	£454.3m
Gross margin	54.6%	55.6%
Operating margin	13.4%	10.7%

Other KPIs include the level of internet sales and the number of debtor accounts and their average debtor balance.

Directors' report (continued)

Risks and uncertainties

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

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

Employee relations

During the year under review the company employed on average of 2,912 employees (2006 – 3,577). The company values the involvement of its employees and keeping them informed about the company and issues affecting them. This is achieved through formal and informal meetings. The company firmly believes that an enthusiastic, motivated and well-trained workforce can only achieve continuing success. Consequently, there are continued resources devoted to staff training, departmental team briefings are held and a staff attitude survey is conducted regularly. Over 500 company employees either hold shares in N Brown Group plc, the ultimate parent undertaking, or have options/awards to acquire them through the group's various share option and long-term incentive schemes.

Disabled employees

Applications for employment by disabled persons are fully considered, bearing in mind the aptitude and ability of the applicant. If members of staff become disabled every effort is made to ensure their employment continues. The career development and promotion of disabled persons, is, as far as possible, identical with other employees.

Environment

The company recognises its environmental responsibilities and is committed to minimising any damage which its activities may cause to the environment. It actively pursues a number of environmental policies, including those designed to contain energy costs, the recycling of paper and packaging materials wherever practical and the use of information technology systems to reduce the level of consumption of paper by its employees.

Health and safety

The company's policy is to adhere to all relevant legislation to ensure, as far as is reasonably practicable, the health, safety and welfare at work of all employees and of other people working on our premises but not employed by the company. We endeavour to ensure that products and services used in the workplace or sold by us are designed so that they are safe and without risk when properly used.

Directors' report (continued)

Customers

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

Suppliers

It is the company's policy to comply with the terms of payment agreed with its suppliers. Trade creditors of the company at 24 February 2007 represented 34 days (2006 – 38 days) of purchases.

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

Future prospects

The directors expect to deliver continued sales and profit growth in the forthcoming year.

Directors and their interests

The directors who served during the 52 week period are as shown below.

A White
D G M Williams (resigned 5 January 2007)
J Hinchcliffe
D Moore
K Risk
P Short
M Cheshire (appointed 13 August 2007)

The directors had no interests in the shares of the company. The interests of A White and D Moore in the ordinary shares of N Brown Group plc, the ultimate parent undertaking, are shown in the financial statements of that company, those of J Hinchcliffe, K Risk and P Short are shown below.

Directors' report (continued)

Directors and their interests (continued)

	2007 Shares Number	2006 Shares Number
K Risk	14,388	7,144
J Hinchcliffe	24,330	6,005
P Short	22,904	7,334

Details of share options are as follows

	25 February 2006	Granted in period	Lapsed in period	Exercised in period	24 February 2007	Exercise price
K Risk						
Executive scheme	92,000	-	-	-	92,000	125p
Savings related scheme	18,579	-	-	-	18,579	88p
	<u>110,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,579</u>	
J Hinchcliffe						
Executive scheme	132,000	-	-	-	132,000	125p
Savings related scheme	9,520	-	-	-	9,520	99p
	<u>141,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,520</u>	
P Short						
Executive scheme	47 047	-	(47 047)	-	-	135 5p
Savings related scheme	7 974	-	-	(7 974)	-	116p
Savings related scheme	-	4 583	-	-	4 583	204p
	<u>55,021</u>	<u>4,583</u>	<u>(47,047)</u>	<u>(7,974)</u>	<u>4,583</u>	

The market price at the date of exercise was 214p The total gain on the exercise of awards was £7,814

The executive share options can be exercised between 28 February 2007 and 10 February 2014

The savings related share options can be exercised between 1 August 07 and 31 January 2010

The market price of the shares at 24 February 2007 was 334 5p (2006 – 201 5p) and the range during the year was 199p to 335p

Directors' report (continued)

Directors and their interests (continued)

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

	25 February 2006	Granted in period	Exercised in period	24 February 2007	Date from which exercisable	Expiry date
K Risk						
	2,011	-	(2,011)	-	28/05/06	27/11/06
	9,895	-	-	9,895	27/05/07	26/11/07
	-	11,155	-	11,155	26/05/08	25/11/08
	<u>11,906</u>	<u>11,155</u>	<u>(2,011)</u>	<u>21,050</u>		

The market price at the date of the awards granted in the year was 212p The market price at the date of exercise was 267p The total gain on the exercise of awards was £5,369

	25 February 2006	Granted in period	Exercised in period	24 February 2007	Date from which exercisable	Expiry date
J Hinchcliffe						
	3,753	-	(3,753)	-	28/05/06	27/11/06
	14,690	-	-	14,690	27/05/07	26/11/07
	-	16,805	-	16,805	26/05/08	25/11/08
	<u>18,443</u>	<u>16,805</u>	<u>(3,753)</u>	<u>31,495</u>		

The market price at the date of the awards granted in the year was 212p The market price at the date of exercise was 211p The total gain on the exercise of awards was £7,919

	25 February 2006	Granted in period	Exercised in period	24 February 2007	Date from which exercisable	Expiry date
P Short						
	2,380	-	(2,380)	-	28/05/06	27/11/06
	9,843	-	-	9,843	27/05/07	26/11/07
	-	15,040	-	15,040	26/05/08	25/11/08
	<u>12,223</u>	<u>15,040</u>	<u>(2,380)</u>	<u>24,883</u>		

The market price at the date of the awards granted in the year was 212p The market price at the date of exercise was 219p The total gain on the exercise of awards was £5,212

Directors' report (continued)

Directors and their interests (continued)

Details of awards of shares made under the group's long term incentive share plans are as follows

	25 February 2006	Awarded in period	Exercised in period	Lapsed in period	24 February 2007	Date from which exercisable	Expiry date	Market price at date of award
K Risk								
	86,673	-	-	-	86,673	26/08/07	26/02/08	102 0p
	68,888	-	-	-	68,888	28/06/08	27/12/08	135 0p
		46,790	-	-	46,790	13/06/09	12/12/09	207 5p
	<u>155,561</u>	<u>46,790</u>	<u>-</u>	<u>-</u>	<u>202,351</u>			
J Hinchcliffe								
	128,676	-	-	-	128,676	26/08/07	26/02/08	102 0p
	105,555	-	-	-	105,555	28/06/08	27/12/08	135 0p
	-	73,785	-	-	73,785	13/06/09	12/12/09	207 5p
	<u>234,231</u>	<u>73,785</u>	<u>-</u>	<u>-</u>	<u>308,016</u>			
P Short								
	101,746	-	-	-	101,746	26/08/07	26/02/08	102 0p
	93,333	-	-	-	93,333	28/06/08	27/12/08	135 0p
	-	68,386	-	-	68,386	13/06/09	12/12/09	207 5p
	<u>195,079</u>	<u>68,386</u>	<u>-</u>	<u>-</u>	<u>263,465</u>			

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act 1985

Directors' report (continued)

Auditors

Each director at the date of approval of the report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board



P J Tynan
Secretary

Griffin House
40 Lever Street
Manchester
M60 6ES

17 December 2007

Statement of directors' responsibilities

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that 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 1985. 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.

Independent auditors' report

To the members of J.D. Williams & Company Limited:

We have audited the financial statements of J D Williams & Company Limited for the 52 week period ended 24 February 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

Independent auditors' report (continued)

Basis of audit opinion (continued)

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 February 2007 and of its profit for the 52 week period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

17 December 2007

Profit and loss account

For the 52 week period ended 24 February 2007

	Notes	2007 £'000	2006 £'000 Restated
Turnover	2	493,744	454,320
Cost of sales		(224,160)	(201,563)
Gross profit		269,584	252,757
Distribution costs		(52,728)	(51,045)
Selling and administration costs		(150,912)	(152,951)
Operating profit	2	65,944	48,761
Finance charges (net)	3	(11,029)	(7,277)
Profit on ordinary activities before taxation	4	54,915	41,484
Tax on profit on ordinary activities	6	(18,387)	(10,821)
Retained profit for the period	16	36,528	30,663

All activity has arisen from continuing operations

The profit and loss account for the 52 week period ended 25 February 2006 has been restated to reflect the adoption of FRS 20 "Share Based Payments" (see note 19)

A statement of movements on reserves is given in note 16

Statement of total recognised gains and losses

For the 52 week period ended 24 February 2007

	2007 £'000	2006 Restated £'000
Profit for the financial year	36,528	30,663
Total recognised gains relating to the year	36,528	30,663
Prior year adjustment (see note 19)	-	
Total gains recognised since last annual report	36,528	

Balance sheet
At 24 February 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	8	972	1,295
Tangible assets	9	90,335	81,974
Investments	10	12,308	2,982
		<u>103,615</u>	<u>86,251</u>
Current assets			
Stocks	11	51,366	52,484
Debtors	12	384,212	450,539
Cash at bank and in hand		26,282	19,977
		<u>461,860</u>	<u>523,000</u>
Creditors: Amounts falling due within one year	13	<u>(466,021)</u>	<u>(449,663)</u>
Net current (liabilities)/assets		<u>(4,161)</u>	<u>73,337</u>
Total assets less current liabilities		<u>99,454</u>	<u>159,588</u>
Provisions for liabilities and charges	14	<u>(5,461)</u>	<u>(3,242)</u>
Net assets		<u>93,993</u>	<u>156,346</u>
Capital and reserves			
Called-up share capital	15	120	120
Profit and loss account	16	93,873	156,226
Equity shareholders' funds	17	<u>93,993</u>	<u>156,346</u>

The financial statements were approved by the Board of Directors on 17 December 2007 and signed on its behalf by



D Moore
Director

The accompanying notes are an integral part of this balance sheet

Notes to the financial statements

52 week period ended 24 February 2007

1 Accounting policies

The principal accounting policies of the company are summarised below. They have all been applied consistently through the period, with the company adopting FRS 20 "Share Based Payments" in the current period as set out in note 19. A prior period adjustment has been made to the financial statements for the 52 week period ended 25 February 2006.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of N Brown Group plc which prepares consolidated financial statements which are publicly available. It is also, on this basis, exempt from the requirement of FRS 1 (Revised) to produce a cash flow statement.

b) Accounting period

Throughout the financial statements, the notes to the financial statements and the Directors' Report reference to 2007 means at 24 February 2007 or the 52 weeks then ended, reference to 2006 means at 25 February 2006 or the 52 weeks then ended.

c) Goodwill and Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised through the profit and loss account on a straight line basis over the period which the group expects to derive an economic benefit, which is currently twenty years. Provision is made for impairment. Purchased goodwill arising on acquisitions before 1 March 1998 was charged against reserves in the year of acquisition in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. Any goodwill previously charged against reserves will be written back through the profit and loss account in the year of disposal. Other intangible assets are capitalised and amortised through the profit and loss account over the period which the company expects to derive an economic benefit, which is currently five years.

Notes to the financial statements

52 week period ended 24 February 2007

1 Accounting policies (continued)

d) *Tangible fixed assets*

Land and buildings are shown at original historical cost or subsequent valuation, net of depreciation and any provision for impairment. Other fixed assets are shown at cost, net of depreciation and any provision for impairment.

No depreciation is charged on freehold land. Depreciation of all other tangible assets is calculated so as to write off the cost or valuation of each asset over its expected useful life as follows:

Freehold buildings	2% of cost or valuation
Leasehold property additions and improvements	equal annual amounts over the unexpired term of the lease
Motor vehicles	20% of cost
Computer equipment and software	20% of cost
Plant and machinery	between 5% and 20% of cost
All other tangible fixed assets	between 10% and 20% of cost

e) *Capitalisation of interest*

Interest incurred on funding for major capital projects is capitalised as part of the cost of the assets up to the time that they come into use. The interest rate applied is calculated by reference to the actual rate payable on borrowings utilised for the project.

f) *Investments*

Fixed asset investments are shown at cost less provision for impairment.

g) *Stocks*

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements (continued)

52 week period ended 24 February 2007

1 Accounting policies (continued)

h) Taxation

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

i) Pension costs

The ultimate parent undertaking operates a defined benefit pension scheme, which certain employees are entitled to participate. Contributions are charged to profit based on the advice of an independent actuary to spread the expected cost of providing pensions over the employees' working lives within the scheme.

j) Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All resulting exchange differences are taken directly to the profit and loss account.

k) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business.

l) Revenue recognition

Revenue is recognised as follows

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. A provision for estimated returns is made, representing the profit on goods sold during the year which will be returned and refunded after the year end. Revenue is reduced by the value of sales returns provided for during the year.

Interest income

Interest income on customer credit accounts is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate.

Notes to the financial statements (continued)

52 week period ended 24 February 2007

1 Accounting policies (continued)

l) Revenue recognition (continued)

Rendering of services

Revenue is recognised in respect of non-interest related financial income, delivery charges and parcel insurance. Income is recognised when the relevant service has been provided to the customer.

m) Leases

Assets held under finance leases are included in tangible fixed assets at a value equal to the original cost incurred by the lessor and are depreciated over the shorter of the lease term and their useful lives. Obligations to the lessor are shown as part of creditors. The interest element is charged to the profit and loss account under the reducing balance method.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

n) Web site development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

o) Share based payments

The group has applied the requirements of FRS 20 (IFRS 2) "Share Based Payments". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002.

N Brown Group plc issues equity-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) 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 an estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. 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.

2 Segment information

All turnover and operating profit is generated from the principal activity of the company in the United Kingdom and Eire.

Notes to the financial statements (continued)

52 week period ended 24 February 2007

3 Finance charges (net)

	2007 £'000	2006 £'000
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	1,591	1,031
Finance leases and hire purchase contracts	-	30
Debt factoring charge	17,665	14,334
Less interest capitalised	-	(147)
	<u>19,256</u>	<u>15,248</u>
<i>Interest receivable</i>	<u>(8,227)</u>	<u>(7,971)</u>
	<u>11,029</u>	<u>7,277</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Depreciation of owned assets	12,052	9,621
Depreciation of assets held under finance leases	-	112
Amortisation of intangible fixed assets	323	340
Hire of plant and machinery under operating leases	2,995	2,403
Other operating lease rentals	2,012	3,462
Charitable donations	<u>43</u>	<u>9</u>

Fees paid to the company's auditor, Deloitte & Touche LLP and its associates for the audit of the company were £125,000 (2006 – £93,000). Fees paid for services other than the statutory audit of the company are not disclosed in the company's accounts since the consolidated accounts of the company's parent, N Brown Group plc, are required to disclose non-audit fees on a consolidated basis.

5 Staff costs

Particulars of employees (including executive directors) are as shown below

	2007 £'000	2006 £'000
Employee costs during the period amounted to		
Wages and salaries	51,947	57,239
Social security costs	4,849	5,178
Other pension costs	<u>2,401</u>	<u>2,494</u>
	<u>59,197</u>	<u>64,911</u>

Notes to the financial statements (continued)

52 week period ended 24 February 2007

5 Staff costs (continued)

The average monthly number of persons employed by the company during the period was as follows

	2007 Number	2006 Number
Distribution	1,031	1,472
Sales and administration	1,881	2,105
	<u>2,912</u>	<u>3,577</u>

Directors' remuneration

Directors' remuneration was as follows

	2007 £'000	2006 £'000
Aggregate emoluments	2,577	2,451
Company pension contributions to money purchase schemes	30	28
	<u>2,607</u>	<u>2,479</u>

Details of individual directors' gains made on the exercise of share options/awards in N Brown Group plc, the ultimate parent undertaking, are disclosed in the Directors' report. Retirement benefits are accruing to two directors (2006 - three) under the group's defined benefit scheme. The company made contributions into the group's defined contribution scheme during the period on behalf of three directors of £30,348 (2006 - £28,007).

Highest paid director

	2007 £'000	2006 £'000
Aggregate emoluments and benefits	<u>853</u>	<u>758</u>
Defined benefit pension scheme		
- accrued pension at end of period	<u>157</u>	<u>129</u>

Notes to the financial statements (continued)

52 week period ended 24 February 2007

6 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises

	2007 £'000	2006 £'000
UK corporation tax	16,168	10,505
Deferred taxation arising from		
- capital allowances	370	333
- other timing differences	(29)	(17)
- other timing differences in respect of prior years	1,878	-
	<u>18,387</u>	<u>10,821</u>

The tax for the current period varied from the standard rate of corporation tax in the UK due to the following factors

	2007 £'000	2006 £'000 Restated
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	16,475	12,445
Effects of		
Adjustments in respect of prior periods	(316)	-
Expenses disallowable for tax purposes	350	(985)
Capital allowances in excess of depreciation	(370)	(333)
Other timing differences	29	17
Utilisation of group tax losses	-	(63)
Utilisation of consortium relief	-	(576)
Current tax charge for the period	<u>16,168</u>	<u>10,505</u>

No payment has been made, in the current or previous period, in relation to the surrender of tax losses by fellow subsidiaries, which has reduced the corporation tax charge as above

7 Dividends

	2007 £'000	2006 £'000
Dividends paid (£833 per share 2006 - £208 per share)	<u>100,000</u>	<u>25,000</u>

Notes to the financial statements (continued)

52 week period ended 24 February 2007

8 Intangible fixed assets

	Customer Database £'000	Goodwill £'000	Total £'000
Cost			
At 25 February 2006 and 24 February 2007	281	1,618	1,899
Amortisation			
At 25 February 2006	281	323	604
Charge for the period	-	323	323
At 24 February 2007	281	646	927
Net book value			
At 24 February 2007	-	972	972
At 25 February 2006	-	1,295	1,295

The goodwill relates to the acquisition of the trade of House of Bath Limited, a company that was purchased out of administration and consequently had no book asset value. The goodwill is being amortised over 5 years.

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant, equipment and motor vehicles £'000	Total £'000
Cost			
At 25 February 2006	37,741	129,270	167,011
Additions	7,684	12,729	20,413
At 24 February 2007	45,425	141,999	187,424
Depreciation			
At 25 February 2006	4,353	80,684	85,037
Charge for the period	756	11,296	12,052
At 24 February 2007	5,109	91,980	97,089
Net book value			
At 24 February 2007	40,316	50,019	90,335
At 25 February 2006	33,388	48,586	81,974

The cost of freehold property, plant, equipment and motor vehicles includes capitalised interest of £3,902,000 (2006 - £3,902,000).

Assets in the course of construction included in plant, equipment and motor vehicles at the period end date total £7,923,000 (2006 - £17,105,000).

Notes to the financial statements (continued)

52 week period ended 24 February 2007

10 Fixed asset investments

	2007 £'000	2006 £'000
Subsidiary undertakings	12,308	2,982
	<u>12,308</u>	<u>2,982</u>

On 30 June 2006 the company acquired the entire share capital of Gray & Osbourn Limited for a total cash consideration of £9,326,000. Its principal activity is direct home shopping by catalogue.

The principal subsidiary undertakings of the company are as follows:

Company	Principal activity	Country of incorporation and operation
Oxendale & Company Limited	Direct home shopping by catalogue	Republic of Ireland
JDW Finance Limited	Financing and ancillary services	England
First Financial Limited	Financial services	England
Gray & Osbourn Limited	Direct home shopping by catalogue	England

To avoid a statement of excessive length, details of subsidiary undertakings that are not significant and are non-trading have been omitted.

11 Stocks

	2007 £'000	2006 £'000
Finished goods	48,865	50,617
Sundry stocks	2,501	1,867
	<u>51,366</u>	<u>52,484</u>

12 Debtors

	2007 £'000	2006 £'000
Trade debtors	336,108	299,511
Amounts owed by group undertakings	34,477	137,176
Other debtors	1,078	1,637
Prepayments and accrued income	12,549	12,215
	<u>384,212</u>	<u>450,539</u>

The company is engaged in a factoring arrangement with JDW Finance Limited, a subsidiary undertaking, on full recourse terms. The company paid out funds of £6,828,000 (2006 - £25,781,000) in respect of this factoring arrangement during the period, and the balance owed of £150,564,000 (2006 - £143,736,000) is included within amounts owed to group undertakings at 24 February 2007 on the basis that JD Williams Finance Limited has full recourse to the factored debt.

Notes to the financial statements (continued)

52 week period ended 24 February 2007

13 Creditors. Amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	35,657	37,617
Amounts owed to group undertakings	382,148	369,955
UK corporation tax	8,712	6,301
Social security and other taxes	15,933	13,497
Other creditors	6,848	6,342
Accruals and deferred income	16,723	15,951
	<u>466,021</u>	<u>449,663</u>

14 Provisions for liabilities and charges

Deferred taxation

	2007 £'000	2006 £'000
Excess of tax allowances over book depreciation of fixed assets	5,738	5,368
Other timing differences	(277)	(2,126)
	<u>5,461</u>	<u>3,242</u>

The movement on deferred taxation comprises

	2007 £'000	2006 £'000
At start of period	3,242	2,926
Charged/(credited) to profit and loss account, in respect of		
- capital allowances	370	333
- other timing differences	1,849	(17)
At end of period	<u>5,461</u>	<u>3,242</u>

15 Called up share capital

	2007 £'000	2006 £'000
<i>Authorised, allotted, called-up and fully-paid</i>		
120,040 Ordinary shares of £1 each	<u>120</u>	<u>120</u>

Notes to the financial statements (continued)

52 week period ended 24 February 2007

16 Reserves

	Profit and loss account £'000
At 26 February 2006 as previously stated	156,226
Prior period adjustment (see note 19)	-
At 26 February 2006 as restated	156,226
Retained profit for the period	36,528
Credit to equity for equity settled share based payment	1,119
Dividends paid	(100,000)
At 24 February 2007	93,873

The cumulative amount of goodwill resulting from acquisitions in the current and earlier financial years which has been written off is £2,034,000 (2006 - £2,034,000)

17 Reconciliation of movements in equity shareholders' funds

	2007 £'000	2006 £'000
Opening equity shareholders' funds as previously stated	156,346	150,120
Prior period adjustment (see note 19)	-	-
Opening equity shareholders' funds as restated	156,346	150,120
Profit for the financial period	36,528	30,663
Credit to equity for equity settled share based payment	1,119	563
Dividends	(100,000)	(25,000)
Net (reduction)/increase in shareholders' funds	(62,353)	6,226
Closing equity shareholders' funds	93,993	156,346

18 Guarantees and other financial commitments

a) Capital commitments

At the end of the period, capital commitments were

	2007 £'000	2006 £'000
Contracted for but not provided for	-	1,219

b) Guarantees

The company has jointly and severally guaranteed certain bank overdrafts and other liabilities of the company's ultimate parent undertaking and certain fellow subsidiary undertakings. At 24 February 2007, this indebtedness amounted to £2.4m (2006 - £0.2m)

Notes to the financial statements (continued)

52 week period ended 24 February 2007

18 Guarantees and other financial commitments (continued)

c) Pensions commitment

The company provides pension arrangements for some of its employees through its immediate parent company's defined benefit scheme, The N Brown Group Pension Fund, and the related costs are assessed in accordance with the advice of its appointed actuaries. The N Brown Group Pension Fund was closed to new entrants with effect from 31 January 2002. New employees joining the company after 31 January 2002 are entitled to join a stakeholder pension scheme providing a defined contribution pension arrangement.

The assets of the group's defined benefit scheme are held separately in trustee-administered funds. The pension cost charged to the profit and loss account is calculated by a qualified actuary so as to spread the cost of pensions over the employees' working lives within the scheme. The most recent actuarial valuation was undertaken as at 30 June 2006 using the projected unit method.

The total pension cost for the period was £2,401,000 (2006 - £2,494,000).

Additional disclosures regarding the group defined benefit pension scheme are required under the provisions of FRS 17, 'Retirement Benefits'. In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis.

A qualified actuary using revised assumptions that are consistent with the requirements of FRS 17 has updated the actuarial valuation described above at 24 February 2007. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were

	2007 %	2006 %	2005 %
Rate of increase in salaries	4.6	4.4	4.4
Rate of increase in pensions in payment	3.1	2.9	2.9
Discount rate	5.0	4.7	5.2
Inflation assumption	3.1	2.9	2.9

Notes to the financial statements (continued)

52 week period ended 24 February 2007

18 Guarantees and other financial commitments (continued)

c) Pensions commitment (continued)

The fair value of assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were

	Long term rate of return expected 2007 %	Fair value 2007 £m	Long term rate of return expected 2006 %	Fair value 2006 £m	Long term rate of return expected 2005 %	Fair value 2005 £m
Equities	6.0	20.8	6.0	18.1	6.5	14.4
Bonds	4.3	15.0	4.2	13.1	4.5	9.8
Cash	-	-	-	-	3.5	0.3
Total fair value of assets		35.8		31.2		24.5
Present value of scheme liabilities		(63.5)		(65.6)		(52.9)
Deficit in the scheme		(27.7)		(34.4)		(28.4)
Related deferred tax asset		8.3		10.3		8.5
Net pension liability		(19.4)		(24.1)		(19.9)

The movement in the deficit in the scheme during the period was as follows

	2007 £m	2006 £m
Deficit in the scheme at start of period	(34.4)	(28.4)
Movement in period		
Current service cost	(2.9)	(2.1)
Contributions	2.8	2.4
Past service cost	-	-
Other finance cost	(1.5)	(1.4)
Actuarial gains/(losses)	8.3	(4.9)
Deficit in the scheme at end of period	(27.7)	(34.4)

Analysis of the amount charged to operating profit

If the treatment required by FRS 17 had been adopted for the whole scheme in the preparation of the accounts for the 52 weeks ended 24 February 2007, the amount that would have been charged to operating profit would have been analysed as follows

	2007 £m	2006 £m
Current service cost	2.9	2.1
Past service cost	-	-
Total operating charge	2.9	2.1

Notes to the financial statements (continued)

52 week period ended 24 February 2007

18 Guarantees and other financial commitments (continued)

Analysis of the amount charged to finance charges

If the treatment required by FRS 17 had been adopted for the whole scheme in the preparation of the accounts for the 52 weeks ended 24 February 2007, the amount that would have been charged to finance charges would have been analysed as follows

	2007 £m	2006 £m
Expected return on pension scheme assets	1 7	1 4
Interest cost on pension scheme liabilities	(3 2)	(2 8)
Net finance charge	<u>(1 5)</u>	<u>(1 4)</u>

c) Pensions commitment (continued)

Analysis of the amount recognised in the statement of total recognised gains and losses

If the treatment required by FRS 17 had been adopted for the whole scheme in the preparation of the accounts for the 52 weeks ended 24 February 2007, the actuarial gains and losses which would have been recognised in the statement of total recognised gains and losses would have been analysed as follows

	2007 £m	2006 £m	2005 £m
Actual return less expected return on pension scheme assets	0 9	3 0	0 7
Experience losses and gains arising on scheme liabilities	-	-	-
Charges in assumptions underlying the present value of the scheme liabilities	7 4	(7,9)	(4 2)
Actuarial gain/(loss) recognised	<u>8 3</u>	<u>(4 9)</u>	<u>(3 5)</u>

History of experience adjustments is as follows

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Difference between the expected and actual return on scheme assets					
Amount (£)	1 0	3 0	0 7	2 3	(7 5)
Percentage of scheme assets	3%	10%	3%	11%	(37%)
Experience adjustments on scheme liabilities					
Amount (£)	1 2	-	-	0 3	-
Percentage of scheme assets	2%	0%	0%	1%	0%
Total amount recognised in statement of total recognised gains and losses					
Amount (£)	8 3	(4 9)	(3 5)	0 1	(12 4)
Percentage of the present value of the scheme liabilities	13%	8%	7%	0%	(32%)

Notes to the financial statements (continued)

52 week period ended 24 February 2007

18 Guarantees and other financial commitments (continued)

d) Lease commitments

The minimum annual rentals under foregoing leases are as follows

	Leasehold property £'000	Other £'000
2007		
Operating leases which expire		
- within 1 year	120	302
- within 2-5 years	1,192	1,417
- after 5 years	2,029	-
	<u>3,341</u>	<u>1,719</u>
	Leasehold property £'000	Other £'000
2006		
Operating leases which expire		
- within 1 year	398	369
- within 2-5 years	601	1,948
- after 5 years	2,575	-
	<u>3,574</u>	<u>2,317</u>

19 Prior period adjustment

The profit and loss account and balance sheet have been restated to reflect the impact of adopting of FRS 20 "Share Based Payments"

The effects of this change in accounting policy are disclosed below

	Per 2006 accounts £'000	Adoption of FRS 20 £'000	Restated 2006 £'000
Profit and loss account			
Selling and administration costs	(152,388)	(563)	(152,951)
Operating profit	<u>49,324</u>	<u>(563)</u>	<u>48,761</u>
Retained profit for the period	<u>31,226</u>	<u>(563)</u>	<u>30,663</u>
Balance sheet			
Profit and loss reserves	<u>156,226</u>	<u>-</u>	<u>156,226</u>

Notes to the financial statements (continued)

52 week period ended 24 February 2007

20 Share based payments

The ultimate parent company, N Brown Group plc, operates several share option schemes in relation to employees of the group. Details of the share options/awards outstanding at 24 February 2007 for employees of the company are as follows

	Exercise period	No of options outstanding	
		2007	2006
<i>Option schemes</i>			
Executive schemes	November 2001 – May 2016	1,856,275	4,770,326
Savings related scheme	August 2006 – February 2012	2,234,840	2,865,714
		<u>4,091,115</u>	<u>7,636,040</u>
<i>Deferred annual bonus scheme awards</i>			
May 2004	May 2006 – November 2006	-	70,674
May 2005	May 2007 – November 2007	169,243	207,590
May 2006	May 2008 – November 2008	211,072	-
		<u>380,315</u>	<u>278,264</u>
<i>Long-term incentive scheme awards</i>			
August 2004	August 2007 – February 2008	1,622,908	2,028,524
May 2005	May 2008 – November 2008	1,396,465	1,586,674
June 2006	June 2009 – December 2009	947,023	-
		<u>3,966,396</u>	<u>3,615,198</u>
		<u>8,437,826</u>	<u>11,529,502</u>

Movements in share options/awards are summarised as follows

	2007		2006	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	11,529,502	0.81	11,903,741	0.97
Granted during the period	2,174,786	0.75	2,884,984	0.44
Forfeited during the period	(4,202,912)	1.11	(2,689,780)	1.20
Exercised during the period	(1,063,550)	0.80	(569,443)	0.36
Outstanding at the end of the period	<u>8,437,826</u>	<u>0.63</u>	<u>11,529,502</u>	<u>0.81</u>
Exercisable at the end of the period	<u>633,250</u>	<u>1.61</u>	<u>348,091</u>	<u>2.08</u>

Notes to the financial statements (continued)

52 week period ended 24 February 2007

20 Share based payments (continued)

Options were exercised during the year, with the weighted average share price during this period being 147 pence (2006 – 155 pence). The options outstanding at 24 February 2007 had a weighted average exercise price of seven pence and a weighted average remaining contractual life of 5.3 years (2006 – 4.5 years).

The fair value of options 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:

	2007	2006
Weighted average share price at date of grant (pence)	212	134
Weighted average exercise price (pence)	75	44
Expected volatility (%)	37.0	36.0
Expected life (years)	3.5-5.5	3.5-5.5
Risk-free rate (%)	4.3	5.0
Dividend yield (%)	5.0	5.0

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

The company recognised total expenses of £1,119,000 and £563,000 related to equity-settled share based payment transactions in 2007 and 2006 respectively in respect of share options held by employees and directors remunerated by the company.

21 Ultimate parent undertaking

The directors regard N Brown Group plc, a company incorporated in England and Wales, as the ultimate parent company and the ultimate controlling party.

N Brown Group plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Griffin House, 40 Lever Street, Manchester, M60 6ES.

As a subsidiary undertaking of N Brown Group plc, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by N Brown Group plc.

22 Post balance sheet events

As a result of the Budget announced by the Chancellor of the Exchequer on 21 March 2007, the rate of corporation tax for large companies in the United Kingdom will reduce from 30% to 28% from April 2008 and that the corporation tax rates for small companies will be increased from 19% to 22% over the next three years. Capital allowances will be reformed from April 2008, with a new 20% rate for plant & machinery assets (down from 25%) and a new 10% rate for long life assets (up from 6%). As part of the capital allowance reforms, Industrial Buildings Allowances will also be phased out from April 2008.