

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your existing ordinary shares in the capital of N Brown Group plc, please send this document, together with the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

**N Brown Group plc**  
Griffin House,  
40 Lever Street,  
Manchester,  
M60 6ES

**Registered No. 814103**

To the holders of shares in N Brown Group plc

28 May 2004

Dear Shareholder

**2004 ANNUAL GENERAL MEETING**

Notice of the annual general meeting to be held on Wednesday 7 July 2004 at 2.30 pm at the Renaissance Manchester Hotel, Blackfriars Street, Manchester, M3 2EQ is set out on pages 5 and 6 of this circular.

I provide below further information regarding the resolutions which shareholders are to be asked to approve at the annual general meeting.

At this year's meeting, we are proposing that in addition to the matters normally dealt with at the meeting, shareholders pass a resolution relating to the amendment of the existing N Brown Group plc Long-Term Incentive Share Plan ("the Plan").

Further details of the proposed amendments to the Plan and an explanation as to why they are sought are set out in the explanation to resolution 13 on pages 3 and 4 of this circular. Furthermore, exact details of the proposed amendments are set out in Appendix 1 of the notice of meeting on page 7 of this circular.

A copy of the draft form of the rules of the Plan as they are proposed to be amended will be available for inspection at the Company's registered office and at the offices of Addleshaw Goddard, Solicitors, 25 Cannon Street, London, EC4M 5TB during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from 28 May 2004 until the close of the meeting. That document will also be available for inspection at the place of the meeting for at least 15 minutes prior to the meeting until the close of the meeting.

## **Explanatory Notes**

### **Resolution 1 – Annual report and accounts**

The directors will present to shareholders at the annual general meeting the accounts for the previous financial year, together with their report and the report of the auditors.

### **Resolution 2 – Directors’ remuneration report**

In accordance with section 241A of the Companies Act 1985 (“the Act”) shareholders are again asked to approve the directors’ remuneration report which is set out on pages 24 to 32 of the annual report and accounts. Your directors are satisfied that the Company’s policy and practice in relation to directors remuneration are reasonable and that they deserve shareholder support.

### **Resolution 3 – Dividends**

Final dividends are approved by the shareholders. However, they cannot be more than the amount the Board recommends. The Board is recommending a final dividend of 4.10 pence per ordinary share for the 52 weeks ended 28 February 2004. If shareholders approve the recommended dividend, it will be paid on 16 July 2004 to shareholders on the register at the close of business on 18 June 2004.

### **Resolutions 4, 5, 6, 7 and 8 – Directors re-election**

Under the articles of association one third of the directors are required to retire from office at each annual general meeting. In accordance with the Combined Code on Corporate Governance and by virtue of holding office as non-executive directors for more than nine years, Ivan Fallon, Sir David Alliance CBE (who has attained the age of 71 years) and Nigel Alliance OBE are subject to annual re-election as directors. Dean Moore and John McGuire having been appointed as directors since the last annual general meeting of the Company offer themselves for re-election. Biographical details of all directors including those standing for re-election are included on page 16 of the annual report and accounts.

### **Resolution 9 – Auditors re-appointment**

This resolution proposes the re-appointment of Deloitte & Touche LLP as auditors of the Company and authorises the directors to determine their remuneration.

### **Resolution 10 - Authority to allot shares**

The authority of shareholders is required to enable directors to allot shares and certain rights to subscribe for shares, such as options. Accordingly, in line with the Company’s usual procedure, which is also standard practice amongst other public companies, this resolution seeks authority for the directors to issue shares and other relevant securities (within the limits of the existing authorised share capital) until the conclusion of next year’s annual general meeting or 7 October 2005, if sooner.

The resolution will provide for the directors to be able to allot relevant securities up to a nominal amount of £9,844,084. This represents one third of the issued share capital together with the amount of shares that the Company may be obliged to allot to satisfy its obligations under the various option schemes, long term incentive plan and annual performance bonus that the Company operates. With the exception of shares to be issued in respect of these, the directors have no current intention of exercising this authority.

### **Resolution 11 - Permission to allot a limited number of shares other than to existing shareholders**

When shares and certain rights to subscribe for shares are issued for cash, they normally have to be offered first to existing shareholders in proportion to their current shareholding. This resolution will enable the directors to allot for cash, equity securities up to a nominal amount of £1,476,612, representing approximately 5% of the current issued ordinary share capital, other than to existing shareholders in order to take advantage of these opportunities as and when they arise.

The authority will lapse at the earlier of the next annual general meeting of the Company or 7 October 2005, if sooner.

In this context, shareholders should note that the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (“the Treasury Shares Regulations”) came into force on 1 December 2003, with

the result that the rights of pre-emption conferred by section 89 of the Act (to the extent not disapplied) now also apply to the sale by the Company of any shares which it holds as treasury shares under the Treasury Shares Regulations (further details of which can be found in the section below regarding resolution 12). Resolution 11, if passed, will also disapply the provisions of section 89 of the Act in relation to any sales of treasury shares, within the limits referred to in the resolution.

As at 19 May, the Company did not hold any shares in the Company in treasury.

#### **Resolution 12 - Authority to purchase own shares**

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 12 specifies the maximum number of shares which may be acquired (approximately 10 per cent of the Company's issued ordinary share capital as at the date of this Notice) and the maximum and minimum prices at which shares may be bought.

The directors intend to use the authority only if, in the light of market conditions prevailing at the firm, they believe that the effect of such purchase will be to increase earnings per share and will be in the best interest of the shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way, unless they are resolved to be held in treasury as described below, will be cancelled and the number of shares in issue will be reduced accordingly.

The Treasury Shares Regulations, which have been referred to above, allow shares purchased by the Company out of distributable profits (up to a maximum of 10 per cent of the Company's issued share capital) to be held by the Company as treasury shares, which may then be cancelled, sold for cash or cancelled immediately (as previously required). As mentioned in relation to resolution 11, a sale of shares held in treasury would be subject to the pre-emption rights conferred by section 89 of the Act, to the extent that these have not been disapplied. No dividends will be paid on, and no voting rights will be exercised in respect of, any shares held in treasury. To the extent that any repurchased shares are held in treasury, rather than being cancelled immediately upon repurchase, earnings per share would only be increased as a consequence of such repurchase until such time as such shares are sold or transferred out of treasury.

#### **Resolution 13 - Amendment to LTIP scheme – 3% anti-dilution limit removal.**

The effect of this resolution is to amend the rules of The N Brown Group plc Long-Term Incentive Share Plan ("the Plan"), subject to adoption of the proposed amendments by the trustees of the N Brown Group plc No 2 employee share ownership trust constituted by a deed dated 7 May 1997.

A summary of the amendments and the reasons for making them are set out below. Exact details of the amendments sought are set out in full in Appendix 1 which forms part of this Notice.

When the Plan was adopted it was drafted to comply with the existing Guidelines of the Association of British Insurers (ABI). At that time, the ABI Guidelines recommended that commitments to issue new shares under all of a company's share incentive schemes should not:

- (a) exceed 10% of the issued ordinary share capital in any rolling 10 year period ("the 10 year anti-dilution limit") and
- (b) exceed 3% of the issued ordinary share capital in any rolling 3 year period, ("the 3 year anti-dilution limit").

The rules of the Plan currently contains both the 10 year anti-dilution limit and the 3 year anti-dilution limit.

The ABI have however revised this guidance so that the 3 year anti-dilution limit is no longer recommended. The revised ABI guidelines adopts a more flexible approach and states that Remuneration Committees should ensure that appropriate policies regarding flow rates should exist in order to spread the potential issue of new shares over the life of relevant schemes in order to ensure that the 10 year anti dilution limit is not breached.

The Company supports this revision and therefore wishes to amend the rules of the Plan so as to comply with the revised ABI guidance by deleting the 3 year anti-dilution limit from the rules of the Plan.

This amendment should afford the Company greater flexibility in the operation of the Plan. In particular the amendment should allow the Company to manage in a more effective manner the use of newly issued shares having regard to both the need to spread the potential creation of new shares over the life of the Plan and the need to appropriately incentivise and motivate the Company's key personnel rather than being tied to a limit which is rigid and out of alignment with market practice.

There is also one further minor amendment to the Plan set out in Appendix 1. This is merely an amendment to change the numbering of the rules once the obsolete 3 year anti-dilution limit is removed from the rules of the Plan.

**Recommendation**

The directors consider the resolutions which are set out in the notice of meeting on pages 5 and 6 and which are to be proposed at the forthcoming annual general meeting to be in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions as they unanimously intend to do so in respect of their own beneficial shareholdings.

Yours faithfully,

**Sir David Alliance CBE**  
Chairman

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of N Brown Group plc will be held at the Renaissance Manchester Hotel, Blackfriars Street, Manchester, M3 2EQ on Wednesday, 7 July 2004 at 2.30 pm for the following purposes:

### Ordinary business

- 1 To receive the annual accounts of the Company for the 52 weeks ended 28 February 2004 together with the directors' and auditors' report on those accounts.
- 2 To approve the directors' remuneration report for the 52 weeks ended 28 February 2004.
- 3 To declare a final dividend of 4.10 pence per ordinary share for the 52 weeks ended 28 February 2004.
- 4 To re-elect as a director Ivan Fallon.
- 5 To re-elect as a director Sir David Alliance CBE.
- 6 To re-elect as a director Nigel Alliance OBE.
- 7 To re-elect as a director Dean Moore.
- 8 To re-elect as a director John McGuire.
- 9 To re-appoint Deloitte & Touche LLP as the Company's auditors and to authorise the directors to fix their remuneration.
- 10 To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

That, in substitution for all existing authorities the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £9,844,084.53, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 7 October 2005 and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.

### Special business

To consider and, if thought fit, pass the following resolutions which, in the case of resolutions 11 and 12, will be proposed as special resolutions and in the case of resolution 13, will be proposed as an ordinary resolution:

- 11 That, subject to the passing of resolution 10 as set out in the notice of this meeting above, the directors of the Company be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the said resolution 10 and to sell relevant shares (as defined by section 94(5) of the Act) of the Company if, immediately before such sale, such shares were held by the Company as treasury shares (within the meaning of section 162A(3) of the Act) as if section 89(1) of the Act did not apply to any such allotment and/or sale, provided that this power shall be limited to the allotment of equity securities and/or sale of relevant shares:
  - (a) in connection with an offer (whether by way of rights issue, open offer or otherwise) to the holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them (notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be allotted and/or relevant shares to be sold are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
  - (b) otherwise than pursuant to paragraph (a) above of equity securities up to an aggregate nominal value of £1,476,612.68.

and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, on 7 October 2005, save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted, or relevant shares to be sold, after such expiry.

- 12 That the directors of the Company be authorised generally and unconditionally to exercise all powers of the Company to make one or more market purchases (as defined in Section 163(3) of the Companies Act 1985 (“the Act”)) of its ordinary shares of 10p each in the capital of the Company, provided that:
- (a) the maximum number of ordinary shares which may be acquired is 29,532,253; and
  - (b) the minimum price which may be paid for any such ordinary share is 10p (exclusive of expenses); and
  - (c) the maximum price which may be paid for any such ordinary share is an amount equal to 105% of the average of the middle market quotation for an ordinary share according to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is contracted to take place (exclusive of expenses);

provided that the authority to purchase hereby conferred shall unless previously renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, on 7 October 2005 but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

- 13 That the rules of the N Brown Group plc Long-Term Incentive Share Plan be amended in the manner set out in Appendix 1 to this notice, such amendments to be effective from the date upon which the trustees of the N Brown Group plc No. 2 employee share ownership trust constituted by a trust deed dated 7 May 1997, adopt such amendments.

By Order of the Board  
**Philip F Harland LL.B (Hons), Solicitor**  
Secretary  
28 May 2004

Registered Office:  
Griffin House, 40 Lever Street  
Manchester  
M60 6ES

**Notes:**

- 1 A member entitled to attend and vote at the annual general meeting convened by the notice set out above is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- 2 A form of proxy is enclosed for your use.
- 3 To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power or authority must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time appointed for holding the meeting.
- 4 Completion and return of the form of proxy will not preclude a member from attending and voting in person at the annual general meeting should he or she so wish.
- 5 Copies of directors' service contracts and a statement of the directors' share interests and those of their families together with the draft form of the rules of the N Brown Group plc Long-Term Incentive Share Plan proposed to be amended will be available for inspection at the Company's registered office during normal business hours on each business day from the date of this notice and up to and including the date of the annual general meeting. The draft form of the rules of the N Brown Group plc Long-Term Incentive Share Plan proposed to be amended will also be available for inspection at the offices of Addleshaw Goddard, Solicitors, 25 Cannon Street, London, EC4M 5TB during normal business hours on each business day from the date of this notice up to and including the date of the annual general meeting. These documents will also be available for inspection at the place of the annual general meeting for at least fifteen minutes prior to and during the annual general meeting.
- 6 Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 2.30pm on Monday 5 July 2004 (or in the case of an adjournment as at 48 hours before the time appointed for the holding meeting) shall be entitled to attend or vote at the above meeting and that the number of votes which any shareholder may cast, on a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

**Appendix 1**

The rules of The N Brown Group plc Long-Term Incentive Share Plan be amended as follows:

1. By deleting rule 14.7 in its entirety.
2. Following the deletion of rule 14.7 by re-numbering rule 14.8 as rule 14.7.

