814103

N Brown Group plc

Report and Accounts 1993

654
13 7.93

Directors and Advisers

DIRECTORS

Sir David Alliance CBE
Chairman

Jim Martin
Chief Executive

Alan White
Finance Director

Nigel Alliance
Director

Ronnie W Aitken
Non-executive

A Paul Forster
Non-executive

SECRETARY

Paul Grundy FCA

AUDITORS

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

STOCKBROKERS

de Zoete & Bevan Ltd

REGISTRARS

Barclays Registrars
Bourne House
34 Beckenham Road
Kent
BR3 4TU

REGISTERED OFFICE

53 Dale Street
Manchester
M60 6ES
Registered No 814103
Telephone 061-236 8256

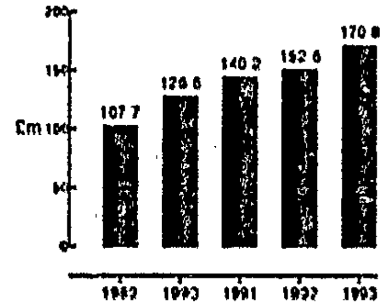
Contents

Group Highlights
for the 52 weeks ended 27th February 1993

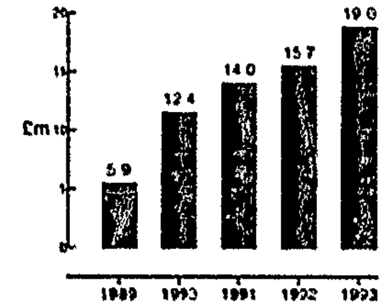
SUMMARY OF RESULTS	1993	1992	% CHANGE
Turnover	£170.8m	£152.6m	11.9
Operating profit	£22.1m	£20.2m	9.0
Profit before taxation	£19.0m	£15.7m	21.4
Profit after taxation	£13.0m	£10.7m	21.4
Earnings per share	17.74p	15.10p	17.5
Dividends per share	7.0p	6.0p	16.7
Net assets	£72.1m	£64.0m	12.5
Net asset value per share	98.7p	87.7p	12.5
Gearing	37%	44%	(15.9)

Five Year Review

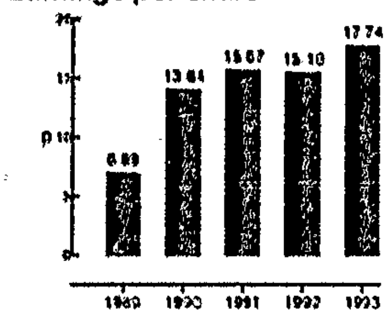
Turnover



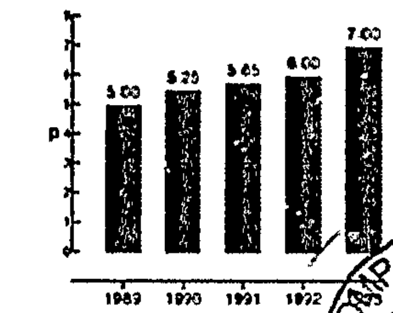
Pre-tax profit



Earnings per share



Dividends

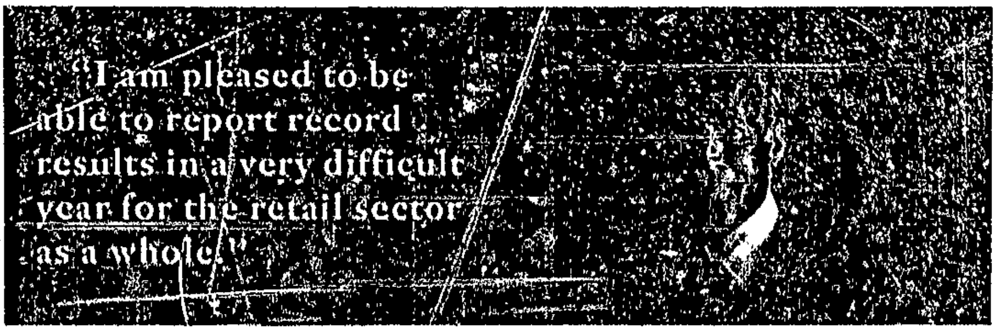


All items previously shown as extraordinary or exceptional have been reclassified in accordance with FRS 3.

" We are dedicated to sustained growth by exploiting our competitive advantage in retailing. We will do this by creating a business environment where all people are encouraged to reach their full potential and where service to the customer is regarded by everyone as their most important objective."

DIRECTORS
left to right Alan White (Finance Director) Nigel Alliance (Director) Jim Martin (Chief Executive)
A Paul Forster (Non-executive) Sir David Alliance CBE (Chairman)
Ronnie W Aitken (Non-executive)

Chairman's Statement



Turnover is up by 12% to £170.8 million, profit before tax is up 21% to £19.0 million, and earnings per share are ahead by 18% at 17.7p. The increase in earnings this year is reflected in the final dividend of 5.05p, making a total for the year of 7.0p, an increase of 17%.

My statement last year referred to the many new initiatives we were taking throughout the business to improve our service and value to customers. This concentration on one of our long held beliefs is paying off with strong evidence of established customers ordering more frequently and others who have not been active recently returning to the fold. This is against a background of one of the toughest years in recent times for recruiting new customers, which has made our drive to further improve service for existing customers such a timely change of emphasis.

During the year we have strengthened our links with Royal Mail Letters and Parcelforce, the main divisions of the Post Office. Results from their published statistics, which are fully supported by our own measurements, show that their delivery times have continued to improve. Customer action teams have been formed comprised of our own executives and those from each of the Post Office divisions. They are drawn from different levels and functions and have been briefed to identify and quickly resolve issues which affect the ultimate customer. We are delighted with the new management style within the Post Office and welcome the sense of partnership which we have both worked so hard to achieve.

I fully endorse the proposals recommended by the Cadbury Committee on the Financial Aspects of Corporate Governance. We intend to fully comply with the Code of Best Practice and to this end we will be appointing further non-executive directors. This will lead to the formal creation of the remuneration and audit committees, the terms of which have already been drafted in conjunction with our professional advisers. I am delighted that Paul Forster has accepted our invitation to join the Board as a non-executive director. Paul is UK Chairman of EURO RSCG, the largest advertising agency in Europe, and he has many years of experience with fast moving consumer goods organisations. I warmly welcome him to the Board and look forward to his contribution in our strategic discussions.

I am pleased to report that we have recently renewed our arrangements with a syndicate of banks to provide a committed level of funding which will satisfy our anticipated requirements over the next three years. The gearing at the year end was 37% compared with 44% last year and net assets have increased by 13%. The renewal of bank facilities and these improved statistics augur well for the future.

The results of the finance and property division have been disappointing but reflect the extreme difficulty of the sectors in which they operate. By the nature of these businesses there will be a delay before any gains from a general recovery are reflected in their results. We have two good companies with a broadly based range of professional services and highly committed management

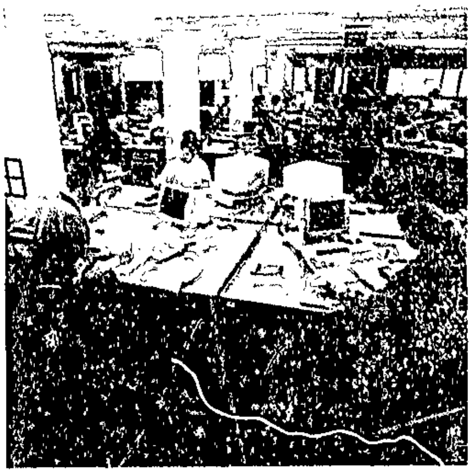
Chairman's Statement
continued

teams who will take advantage of any upturn in the market place.

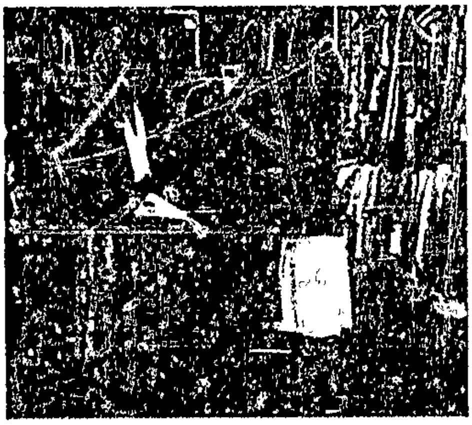
It is as difficult as ever to predict the future with the current worldwide economic problems which do not instill confidence in consumers, industry or those with funds to invest. Any general recovery will, I believe, be modest and we have discounted any benefit from an economic upturn in our financial plans. However, since the year end we are comfortably ahead of last year and well placed to take advantage of any rise in consumer confidence.

I would like to thank all my colleagues throughout the group for producing such an outstanding result in an extraordinarily difficult year. I am always impressed by their hard work and creativity and feel confident that they will once again produce the very best results in the difficult year ahead. My thanks go also to our many suppliers, trade union, bankers and advisers all of whom have been very supportive during the year.

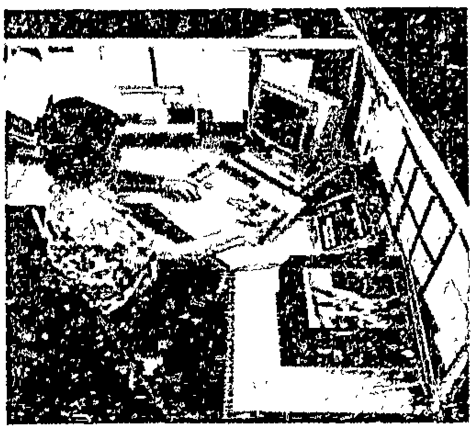
SIR DAVID ALLIANCE CBE



Mark Walsh, Viola Dean, Teresa Harrison and Karen Tilley answering customer enquiries

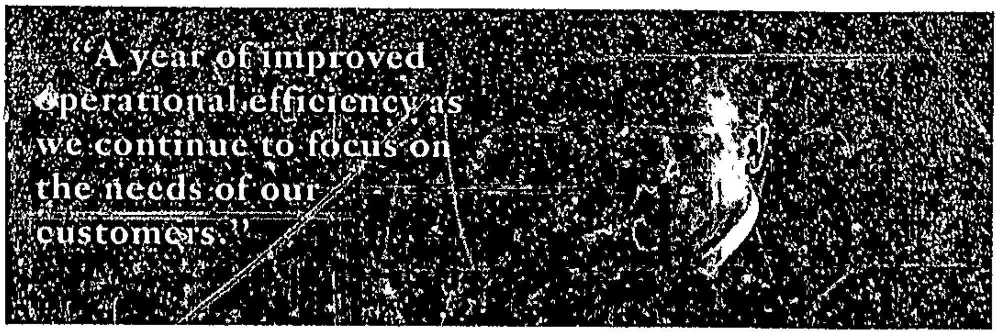


Cathy O'Kane and Mary Moreton checking garment specifications



Lynda Southward taking customer orders by telephone

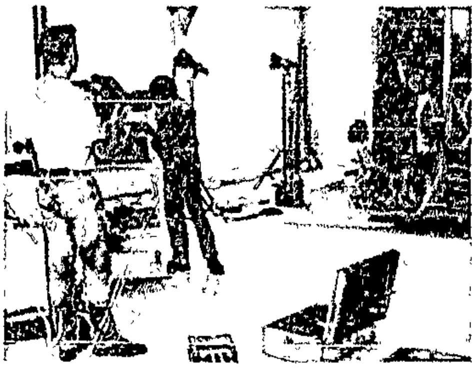
Chief Executive's Review of Operations



Summary of Results

The core activity of home shopping increased its sales by 12.8% to a record level of £164.2 million (1992, £145.6 million) including turnover of £8.2 million (1992, £1.2 million) from Odhams which was acquired from receivers in November 1991. To conform with the new accounting standard FRS 3 the exceptional costs last year of £0.9 million relating to the warehouse reorganisation have been included within operating profit. The increase in home shopping operating profit after re-stating last year is 12.9% at £22.6 million (1992, £20.0 million) with an unadjusted increase of 7.9%. Odhams is a recovery situation but, despite the lower profit from this business, last year's overall home shopping margin of 13.7% has been maintained.

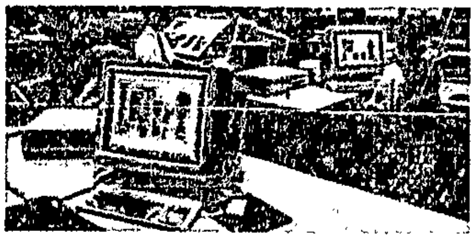
There was a 5.5% fall in income this year for the property and financial business to £6.6 million (1992, £7.0 million). This reduced income is the main reason for the change from last year's operating profit of £0.4 million to an operating loss of £0.3 million in the current year.



Studio photography carried out by John Owen

The interest charge has fallen by 18.4% from £4.1 million to £3.3 million, due mainly to the reduced cost of funds. Central costs are £0.2 million (1992, £0.2 million).

The exceptional profit of £0.5 million arose from the disposal of a stake acquired in a potential acquisition where a rise in the share price ultimately eliminated the opportunity.



Tom Carter and Cindy Roberts designing catalogue pages

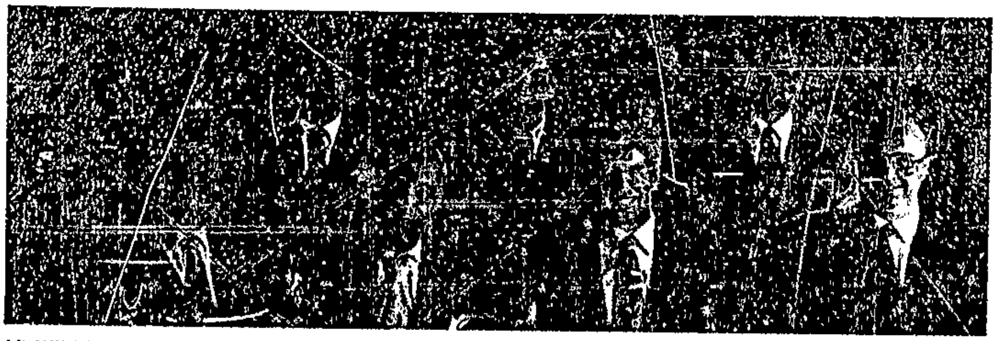
Home Shopping

The home shopping division has a number of catalogues which are sent direct to customers. Information held on our computerised database on customers' buying behaviour allows us to produce highly targeted catalogues and brochures that closely match customers' requirements. The fast growing UK direct catalogue sector in which we operate has expanded more than five fold in the last decade.

The targeted catalogues also allow the company to develop brand values for its titles and create a point of difference in a competitive market place. The product range contains a number of strong propositions, the most important of which are the extremely wide range of sizes and fittings which are difficult to find in the high street and highly competitive value for money prices.

We are pleased that the new ventures of Fashion World, Candid, Langley House and

Chief Executive's Review of Operations
continued



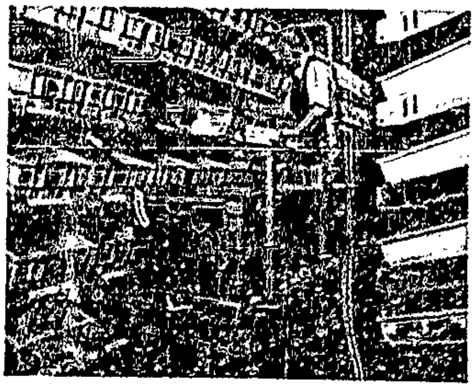
J D WILLIAMS *Left to right* Jim Martin (Chief Executive) Nigel Green (Marketing Director) Nigel Alliance (Director) Alan White (Finance Director) Robert Yates (Merchandise Director) Iain Macfarlane (Administration Director) Mike Greenwood (Operations Director)

Special Collection launched in the last three years, and by acquisition Odhams, now account for 15% of sales. The current range of catalogues together with their targeted markets are:-

Catalogues	*Target Market*
J D Williams Oxendale Ambrose Wilson	*Customers in their forties to sixties who generally require credit and value for money products.*
Heather Valley	*Similar age of customers including those who prefer to spend more on their clothes.*
Fashion World Candid	*Customers in their mid-thirties to late forties.*
Whitfords Aldrex	*Retired customers.*
Special Collection	*Clothing for people with dressing difficulties.*
Odhams	*Home entertainment and publishing products sold by continuity clubs.*
Langley House	*Clothing and hardware products sold through national newspapers.*

For the past eighteen months we have carried out a major review of systems and the levels of service available to our customers. This has included extensive research amongst customers to establish their attitude towards the company and the service they receive and has resulted in changes in both operational systems and customer service policies.

We are continually investing in computing systems which are now being upgraded to incorporate the latest software technology. We have complemented our operational computing systems by the installation of a multi-processor computer, which allows us to quickly scan the customer database, so that we can more effectively match our catalogues and leaflets with those customers who have the highest probability of buying. Desk top publishing is well advanced and has enabled us to reduce the cost of catalogues whilst at the same time improving flexibility and reducing lead times.
During 1991 the company carried out a major restructuring of its distribution systems with production at the five separate warehouses being progressively centred on a new automated facility at Shaw, Greater Manchester. One of the original buildings has been retained for bulky and non-collatable products. The central warehouse has 600,000



Customer orders being picked by Lu Evans

Chief Executive's Review of Operations

continued

sq ft of space with the capacity to store six million products. The use of new technology which includes fully automated sorting equipment and the laser scanning of bar codes to control stock movements has significantly reduced unit costs whilst at the same time achieving improvements in speed and accuracy. During the next two years further bulk storage capacity will be needed to cater for our anticipated growth.

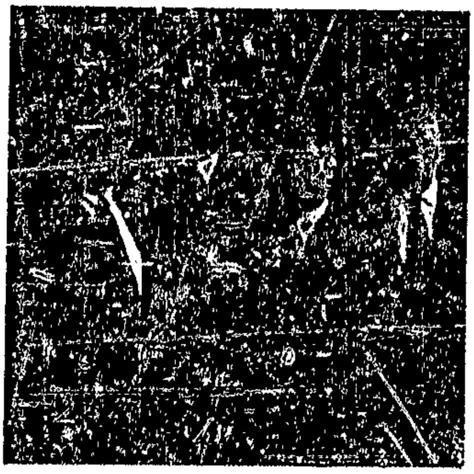
The strategy over the medium term will be to further develop the existing catalogues and markets but at the same time create new product ranges to widen the portfolio of the catalogues which reflect the changing demographic trends. The success of all these ventures will be further enhanced by increased operational effectiveness aimed at providing a better service to customers.

Property Services

Dunlop Heywood, commercial property agents and consultants, has a total fee income of £5 million and are based in Manchester where they are the leading firm. This office accounts for around two-thirds of the activity and contrary to the national trend saw a 9% rise in billings and a 29% growth in operating profits. Strong demand was seen for the professional services departments, principally property management, valuation, rating, and plant and machinery.

The continuing turmoil in the property market was felt most strongly in London and the south of England, and this was reflected in the performance of our offices there. In aggregate the fee income of these offices fell by over 30% and, due to the relatively fixed cost base, resulted in operating losses of £0.4 million.

DUNLOP HEYWOOD *Left to right* Jim Shaw, John Mills, Sir David Trippier, Colin Davies, Bob Dyson



MORFITT & TURNBULL *Left to right* Malcolm Penney, Gareth Shaw, Geoff Cook, Neville Harvey

Financial Services

Morfitt & Turnbull provides independent financial advice to their clients, who are mainly high net worth individuals or companies. The group has offices in Manchester, Birmingham, Glasgow and Edinburgh.

Commission income has risen by 7% resulting in a small but encouraging profit. Investment business provided the bulk of the income in the year, with the balance mainly from pensions and life assurance plans. Investment business is generated from a wide spectrum of financial products, particularly Morfitt and Turnbull's own broker bonds. Of all broker funds monitored by Micropal, Morfitt & Turnbull had the top two funds measured over the three years to April 1993.

JIM MARTIN

Directors' Report and Finance Review

The directors submit their report and accounts for the 52 weeks ended 27th February 1993.

1 ACTIVITIES AND RESULTS

The principal activities of the group are retailing through direct home shopping catalogues and the provision of financial and commercial property services. The activities are more fully explained in the Chief Executive's Review of Operations on pages 5 to 7.

Group profits before taxation for the 52 weeks to 27th February 1993 amounted to £19.045 million. We have chosen to present the results in accordance with the new accounting standard FRS 3 – "Reporting Financial Performance". FRED 3 – "Accounting for Capital Instruments" has no impact on the presentation of our accounts.

No geographical segmentation is provided as, apart from a small operation in Eire, all activities take place in the United Kingdom.

2 DIVIDENDS AND RESERVES

An interim dividend of 1.95p per share (1992, 1.75p) was paid on the ordinary shares of the company on 7th January 1993. The net cost of this dividend was £1.424 million (1992, £1.269 million).

The directors recommend a final dividend of 5.05p per share (1992, 4.25p) for the year ended 27th February 1993, the net cost of which will be £3.687 million (1992, £3.103 million). Movements in reserves are shown in note 21 on page 25.

3 ACQUISITIONS AND DISPOSALS

The group did not make any significant acquisitions or disposals during the year.

4 CAPITAL EXPENDITURE

Expenditure on tangible fixed assets totalled £2.586 million as analysed in note 13 on page 22.

5 SHARE CAPITAL

No changes have been made to the authorised or issued share capital during the year. Details of outstanding share options are shown in note 20 on page 25.

6 ANNUAL GENERAL MEETING

At the annual general meeting to be held on 8th July 1993 a proposal will be made as special business to renew the authorities which have been given to the directors to disapply the statutory pre-emption provisions in order to allow for rights issues and small issues of shares for cash (resolution 7).

7 CORPORATE GOVERNANCE

The board of directors welcomes the report of the Committee on the Financial Aspects of Corporate Governance, and it is our intention to fully comply with the Code of Best Practice as we have done in this report and accounts where possible.

8 DIRECTORS

The biographies of the directors, all of whom served throughout the year with the exception of Paul Forster who joined on 5th August 1992, are outlined below. The interests of the directors are shown in note 7 on page 20.

Sir David Alliance (60) was appointed a director in 1968 and reversed his mail order companies into the group in 1970. He is also Chairman of Coats Viyella Plc.

Jim Martin (50) joined the company in 1973 after holding a number of accountancy positions in Unilever and Dunlop. He worked as Operations Director before being appointed Chief Executive in 1984.

Alan White FCA (38) was appointed Finance Director on 1st August 1989 having joined as Company Secretary in 1985. Previously with Sharp Electronics and Arthur Andersen.

Nigel Alliance (58) was appointed a director in 1969. He is also a shareholder and director of a number of private companies.

Directors' Report and Finance Review

continued

8 DIRECTORS continued

Ronnie W. Aitken (59) was appointed a non-executive director in 1970. A former partner of a leading firm of chartered accountants he is now a director of a number of public and private companies.

Paul Forster (51) was appointed a non-executive director on 5th August 1992. He is Chairman and Chief Executive of EURO RSCG, having moved into agency management following a marketing career with Cadbury Schweppes.

In accordance with the articles of association Alan White and Jim Martin will retire by rotation and, being eligible, offer themselves for re-election. In addition, Paul Forster having been appointed during the year also retires and, being eligible, offers himself for re-election.

9 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.

10 MAJOR SHAREHOLDERS

In addition to the directors' shareholdings shown in note 7 on page 20 the directors are aware of the following shareholdings of 3 per cent or more of the issued share capital at 5th May 1993.

	Holding	% Of issued share capital
Gartmore Investment Management Ltd	4,087,119	5.6
N Brown Group plc Employee Share Ownership Trust	3,412,572	4.7
Prudential Portfolio Managers Ltd	2,353,500	3.2

11 EMPLOYEE INVOLVEMENT

The group firmly believes that continuing success can only be achieved through an enthusiastic, motivated and well-trained workforce. Consequently, as part of our drive to continually improve service and quality, we have increased the resources devoted to management development, set up regular departmental team briefings, and encouraged participation from all members of staff. This is in addition to the established communciation channels such as corporate videos, staff magazines, briefing groups and meetings with the recognised trade union.

Over 400 group employees either hold shares or have options to acquire them through the Executive and Savings Related Share Option Schemes.

12 DISABLED PERSONS

It is the group's policy to offer equal opportunities to disabled persons applying for vacancies. Employees who become disabled are given every opportunity and assistance to continue in their employment or be trained for other suitable positions.

13 PENSION FUND

In the wake of recent pension fund publicity the group has taken steps to ensure that the N Brown Group Staff Pension Fund is managed in accordance with best practices. The trustee company has a board of directors, a majority of whom have a vested interest in the performance of the fund, representing the interests of pension fund members, pensioners and N Brown Group plc.

The pension fund investments are managed by Mercury Asset Management and the actuarial and administration services are provided by William M. Mercer Ltd.

14 TAX STATUS

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Directors' Report and Finance Review
continued

15 BANK FACILITIES

The group signed a £43 million three year committed bank facility on 29th April 1993 with a syndicate of banks comprising Lloyds, Royal Bank of Scotland, Midland, Barclays, National Westminster, Yorkshire and Standard Chartered. The group has further uncommitted facilities of £20 million. The bank facilities have covenants relating to levels of gearing, net assets and interest cover.

16 RISK MANAGEMENT

The group imports a proportion of its products from overseas, especially from markets in the Far East. Where those products are purchased in foreign currency, mainly US dollar related, it is the group's policy to minimise exposure through the use of forward exchange contracts wherever possible.

The policy on interest rates is to manage exposure with an appropriate balance of medium term fixed and shorter term floating rates using financial instruments such as swaps and collars.

17 CHARITABLE AND POLITICAL DONATIONS

Charitable donations totalled £16,434 (1992, £11,542). No political donations have been made.

18 AUDITORS

Arthur Andersen were appointed as auditors to the company at the 1992 annual general meeting and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting on 8th July 1993.

19 SHAREHOLDER BENEFITS

Subject to certain conditions, shareholders are entitled to a 20 per cent privilege discount off the selling price of consumer merchandise in any of the group catalogues. Discounts are also available to shareholders through Morfitt & Turnbull on a range of financial products including life insurance, pensions and unit trusts. Shareholders interested in these facilities should write for further information to *The Secretary of N Brown Group plc, 53 Dale Street, Manchester M60 6ES* stating the number of shares held and the catalogue or product of interest.

20 PERSONAL EQUITY PLANS (PEPs)

The company has established the N Brown Group plc corporate PEP and single company PEP which are open to existing and prospective shareholders. Further information concerning the PEPs is available from the plan manager, *Halifax Investment Services Ltd (a member of IMRO) Trinity Road, Halifax HX1 2RG, Telephone 0422 335991.*

21 CAPITAL GAINS TAX

For the purpose of capital gains tax, the value of the company's ordinary shares of 10p each was 25.625p per share on 31st March 1982 and 5.3125p on 6th April 1985.

22 FINANCIAL TIMETABLE

1992	*15th October*	Announcement of interim results.
	12th November	Closing of register for interim dividend.
1993	*7th January*	Payment of interim dividend.
	27th February	Financial year-end.
	5th May	Preliminary announcement of annual results.
	28th May	Publication of 1993 report and accounts.
	25th June	Closing of register for final dividend.
	8th July	Annual general meeting.
	30th July	Payment of final dividend.

By order of the Board
ALAN WHITE FCA
Director
5th May 1993

Statements of Responsibilities and Auditors' Report

Directors' Responsibilities for the Accounts

Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for that period. It is also the directors' responsibility to maintain adequate accounting records, safeguard the assets of the company and the group and prevent and detect fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts, and that applicable accounting standards have been followed.

By order of the Board
ALAN WHITE FCA
Director
5th May 1993

Auditors' Responsibilities for Reporting on the Accounts

Auditors are required to form an independent opinion on whether the annual accounts give a true and fair view and comply with the Companies Act 1985 and to report that opinion to the members. In addition, the Companies Act 1985 requires auditors to state in their report if:

- the content of the directors' report is inconsistent with the accounts;
- proper accounting records have not been kept by the company or proper returns adequate for their audit have not been received from branches not visited by them;
- the group companies' individual accounts are not in agreement with the accounting records and returns; and
- information and explanations which to the best of their knowledge and belief are necessary for the purpose of their audit have not been received.

Auditors are required to give, as far as they are reasonably able to do so, a statement giving the required particulars, if the requirements of Schedule 6 of the Companies Act 1985 (which relate to disclosure of emoluments and other benefits of directors and others) are not complied with in the accounts.

Auditors' Report to the Members of N Brown Group plc

We have audited the accounts on pages 12 to 27 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 27th February 1993 and of the group profit, the total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR ANDERSEN
Chartered Accountants and Registered Auditor

Bank House
9 Charlotte Street
Manchester
M1 4EU

5th May 1993

Arthur Andersen

Group Profit and Loss Account

for the 52 weeks ended 27th February 1993

Note		1993 £'000	1992 As Restated £'000
2	Turnover	[illegible]0,842	152,616
	Cost of sales	(82,889)	(74,075)
	Gross profit	87,953	78,541
	Distribution costs	(15,172)	(15,690)
	Sales and administration expenses	(50,729)	(42,629)
2	Operating profit	22,052	20,222
3	Exceptional profit on sale of investments	522	–
4	Interest payable	(3,305)	(4,052)
5	Gift to employee trust	(400)	(650)
	Income from listed investments	176	166
8	Profit on ordinary activities before taxation	19,045	15,686
9	Taxation on profit on ordinary activities	(6,094)	(5,019)
10	Profit on ordinary activities after taxation	12,951	10,667
11	Dividends	(5,111)	(4,372)
21	Retained profit	7,840	6,295
12	Earnings per share	17.74p	15.10p

The notes on pages 17 to 27 form part of these accounts

Balance Sheets
as at 27th February 1993

Note		Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
	Fixed assets:				
13	Tangible assets	27,083	27,550	24	41
14	Investments	3,244	2,835	6,746	6,333
		30,327	30,385	6,770	6,374
	Current assets:				
15	Stocks	23,717	19,764	–	–
16	Debtors	81,549	76,149	72,602	69,381
14	Investments	–	350	–	–
	Cash at bank and in hand	942	2,314	–	241
		106,208	98,577	72,602	69,622
17	Creditors:				
	Amounts falling due within one year	(36,392)	(34,116)	(13,645)	(9,387)
	Net current assets	69,816	64,461	58,957	60,235
	Total assets less current liabilities	100,143	94,846	65,727	66,609
18	Creditors:				
	Amounts falling due after more than one year	(27,000)	(30,000)	(27,000)	(30,000)
19	Provisions for liabilities and charges	(1,087)	(818)	–	–
		72,056	64,028	38,727	36,609
	Capital and reserves:				
20	Called up share capital	7,301	7,301	7,301	7,301
21	Share premium account	24,880	24,880	24,880	24,880
21	Revaluation reserve	4,615	4,206	2,791	2,382
21	Other reserves	366	587	–	–
21	Profit and loss account	34,894	27,054	3,755	2,046
		72,056	64,028	38,727	36,609

The accounts were approved by the board of directors on 5th May 1993 and signed on its behalf by

JIM MARTIN J Martin
ALAN WHITE A White
Directors

The notes on pages 17 to 27 form part of these accounts

Group Cash Flow Statement

for the 52 weeks ended 27th February 1993

Note		1993 £'000	1992 £'000
a	Net cash inflow from operating activities	15,387	18,533
	Returns on investments and servicing of finance:		
	Interest paid (including interest capitalised)	(3,305)	(4,607)
	Ordinary dividends paid	(4,527)	(3,848)
	Dividends received from investments	176	166
	Net cash outflow from returns on investments and servicing of finance	(7,656)	(8,289)
	Taxation:		
	Corporation tax paid (including advance corporation tax)	(4,515)	(3,244)
	Investing activities:		
	Purchase of goodwill	(221)	(1,297)
	Purchase of trade investments	(480)	-
	Sale of trade investments	1,352	10
	Purchase of tangible fixed assets (excluding interest capitalised)	(2,586)	(4,791)
	Sale of tangible fixed assets	222	826
	Net cash outflow from investing activities	(1,713)	(5,252)
	Net cash inflow before financing	1,503	1,748
	Financing:		
d	Issue of ordinary share capital	-	17,854
d	Repayment of bank loans	(3,000)	(18,000)
	Net cash outflow from financing	(3,000)	(146)
b	(Decrease)/Increase in cash and cash equivalents	(1,497)	1,602

The notes on page 15 forms part of this statement

Notes on the Group Cash Flow Statement

Note		1993 £'000	1992 £'000
a	**Reconciliation of operating profit to net cash inflow from operating activities**		
	Operating profit	22,052	20,222
	Gift to employee trust	(400)	(650)
	(Increase)/decrease in stocks	(3,953)	4,184
	Increase/(decrease) in creditors	257	(124)
	Increase in debtors	(5,400)	(7,374)
	Depreciation	2,803	2,156
	Loss on sale of tangible fixed assets	28	119
	Net cash inflow from operating activities	15,387	18,533
b	**Analysis of changes in cash and cash equivalents during the year**		
	Balance at 29th February 1992	1,964	362
	Net cash (outflow)/inflow	(1,497)	1,602
	Balance at 27th February 1993	467	1,964
c	**Analysis of the balances of cash and cash equivalents as shown in the balance sheet**		
	Cash at bank and in hand	942	2,314
	Bank loans and overdrafts	(475)	(350)
		467	1,964

Note		Share capital (including premium) £'000	Bank Loans £'000
d	**Analysis of changes in financing during the year**		
	Balance at 2nd March 1991	14,327	48,000
	Cash inflows/(outflows) from financing	17,854	(18,000)
	Balance at 29th February 1992	32,181	30,000
	Cash outflow from financing	–	(3,000)
	Balance at 27th February 1993	32,181	27,000

Statement of Total Recognised Gains and Losses

for the 52 weeks ended 27th February 1993

	1993 £'000	1992 £'000
Profit on ordinary activities after taxation	12,951	10,667
Unrealised gain on trade investment	409	1,038
Total recognised gains relating to the year	13,360	11,705

Note of Historical Cost Profits and Losses

for the 52 weeks ended 27th February 1993

	1993 £'000	1992 £'000
Reported profit on ordinary activities before taxation	19,045	15,686
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	18	18
Historical cost profit on ordinary activities before taxation	19,063	15,704
Historical cost profit for the year retained after taxation and dividends	7,858	6,313

Reconciliation of Movements in Shareholders' Funds

for the 52 weeks ended 27th February 1993

	1993 £'000	1992 £'000
Profit on ordinary activities after taxation	12,951	10,667
Dividends	(5,111)	(4,372)
	7,840	6,295
Other recognised gains	409	1,038
New share capital subscribed	–	17,854
Goodwill written off	(221)	(1,297)
	8,028	23,890
Shareholders' funds at 29th February 1992	64,028	40,138
Shareholders' funds at 27th February 1993	72,056	64,028

Notes to the Accounts

for the 52 weeks ended 27th February 1993

1 ACCOUNTING POLICIES

The principal accounting policies of the group are set out below and are consistent with previous periods.

a BASIS OF ACCOUNTING The accounts are prepared under the historical cost convention, modified to include the revaluation of listed investments and certain freehold properties and in accordance with applicable accounting standards. The accounts have been prepared in accordance with Financial Reporting Standard Number 3 and the comparatives have been restated.

b ACCOUNTING PERIOD Throughout the accounts, the notes to the accounts and the directors' report and finance review, reference to 1993 means at 27th February 1993 or the 52 weeks to 27th February 1993; reference to 1992 means at 29th February 1992 or the 52 weeks to 29th February 1992.

c BASIS OF CONSOLIDATION The group accounts consolidate the accounts of the company and all its subsidiary undertakings which are made up to a date co-terminous with the financial period of the parent company. All unrealised internal profits are eliminated on consolidation.

d TURNOVER Turnover represents the total amount receivable in the ordinary course of business for goods and services supplied and excludes VAT and intra-group sales.

e VALUE ADDED TAX Certain subsidiary companies in the group participate in one of HM Customs & Excise special schemes for retailers. Under this scheme VAT on sales is accounted for on a cash receipts basis. The group provides for the VAT due on unpaid sales to the extent that it is likely that a liability will crystallise.

f TANGIBLE FIXED ASSETS Land and buildings are shown at original cost or subsequent valuation as set out in note 13. Other fixed assets are shown at cost. Computer software costs relating to major projects are capitalised.

g DEPRECIATION No depreciation is charged on freehold land. Depreciation of all other tangible fixed assets is calculated to write off the cost or valuation over their estimated useful lives. In this respect the following annual depreciation rates apply:

On freehold buildings	between 1% and 2% of cost or valuation.
On leasehold property and improvements	equal annual amounts over the unexpired years of the lease.
On motor vehicles	20% of cost.
On computer equipment and software	between 20% and 50% of cost.
On plant and machinery	between 10% and 20% of cost.
On all other tangible fixed assets	15% of written down value.

Notes to the Accounts

continued

1 ACCOUNTING POLICIES continued

h 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.

i GOODWILL Goodwill arising on acquisitions of businesses, being the excess of cost over fair value of the group's share of net tangible assets acquired, is charged against reserves in the year of acquisition and written back through the profit and loss account in the year of disposal.

j INVESTMENTS In the company's accounts, investments in subsidiary undertakings are stated at cost. Listed investments are included in the balance sheet at their mid-market value on the relevant balance sheet date. Surpluses or deficits arising on revaluations are reflected by a movement on the revaluation reserve, which is a non-distributable reserve.

k LEASED ASSETS Assets leased from third parties under operating leases are accounted for by charging costs to the profit and loss account over the period of the lease.

l STOCKS Stocks have been valued at the lower of cost and net realisable value. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

m TAXATION Advance corporation tax payable on dividends paid or provided in the year is written off when recoverability against corporation tax payable is not considered to be reasonably assured. Deferred taxation is provided using the liability method to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

n TRANSLATION OF FOREIGN CURRENCIES Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Other transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All resulting exchange differences are taken direct to the profit and loss account.

o PENSION COSTS The group operates a number of pension schemes. Money purchase scheme contributions are charged against profits as they accrue. Contributions in respect of the defined benefits scheme are charged to the profit and loss account, based on the advice of an independent actuary, to spread the expected cost of providing pensions over the employees' working lives within the scheme.

Notes to the Accounts
continued

	Turnover 1993 £'000	Turnover 1992 £'000	Operating profit 1993 £'000	Operating profit 1992 £'000
2 ANALYSIS OF TURNOVER AND OPERATING PROFIT				
Home shopping	164,256	145,645	22,592	20,003
Financial and property services	6,586	6,971	(273)	431
Central administration costs	–	–	(267)	(212)
	170,842	152,616	22,052	20,222

All turnover and operating profit is generated from continuing activities in the United Kingdom and Eire.

3 EXCEPTIONAL PROFIT ON SALE OF INVESTMENTS

The exceptional profit of £522,000 arose from the disposal of a stake acquired in a potential acquisition where a rise in the share price ultimately eliminated the opportunity. No tax liability has arisen due to the utilisation of brought forward capital losses.

4 INTEREST PAYABLE

Interest payable represents interest on bank loans and overdrafts repayable otherwise than by instalments within five years.

5 GIFT TO EMPLOYEE TRUST

The payment of £400,000 (1992, £650,000) represents a gift to the Employee Share Ownership Trust established in 1990 for the benefit of employees of the group. At that time the trust subscribed for 4,250,000 new ordinary shares in N Brown Group plc for a consideration of £7.5 million.

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:	1993 £'000	1992 £'000
Exceptional item – Cost of sales	–	362
– Distribution costs	–	216
– Sales and administration expenses	–	361
	–	939
Depreciation	2,803	2,156
Operating lease rentals	3,629	2,683
Auditors' remuneration – Audit fees	39	45
– Non audit related fees	53	43

Exceptional costs of £939,000 relate to the transfer of stock to the new centralised distribution centre and the closure of five former warehouse sites.

Notes to the Accounts
continued

	1993 £'000	1992 £'000
7 DIRECTORS' REMUNERATION AND INTERESTS		
Salaries	340	307
Performance related bonus	56	10
Pension contributions	18	16
Fees	14	5
	428	338

The emoluments of the Chairman and the highest paid director comprised:

	Chairman 1993 £'000	Chairman 1992 £'000	Highest paid director 1993 £'000	Highest paid director 1992 £'000
Salaries	24	23	157	136
Performance related bonus	–	–	35	6
Pension contributions	–	–	9	7
	24	23	201	149

The directors' emoluments (excluding pension contributions) paid by companies in the group were within the following ranges:

	Number	Number
£0 – £5,000	1	1
£5,001 – £10,000	1	–
£20,001 – £25,000	1	1
£60,001 – £65,000	1	1
£85,001 – £90,000	–	1
£115,001 – £120,000	1	–
£140,001 – £145,000	–	1
£190,001 – £195,000	1	–

No director has a service contract extending beyond three years. The performance related bonus is geared to the increase in pre-tax profits on a like-for-like basis.

	1993 Ordinary Shares	1993 Options (including SAYE)	1992 Ordinary Shares	1992 Options (including SAYE)
Sir David Alliance	30,915,485[1]	–	30,915,485[1]	–
Sir David Alliance *Non-Beneficial*	1,759,162[2]	–	1,759,162[2]	–
Nigel Alliance	10,575,641[1,2]	–	10,575,641[1,2]	–
Jim Martin	250,000	85,193	250,000	82,081
Alan White	37,750	51,027	37,750	51,027
Ronnie W Aitken	–	–	–	–
A Paul Forster	–	–	–	–

Duplicated holdings included above 998,184[1] (1992, 998,184) 1,759,162[2] (1992, 1,759,162).

On 1st July 1992, James Martin was granted 3,112 share options at an exercise price of 241p per share under the terms of the 1990 Save As You Earn Scheme.

There have been no changes in the above interests between the year end and 5th May 1993.

Notes to the Accounts

continued

	1993 £'000	1992 £'000
8 STAFF COSTS (INCLUDING DIRECTORS)		
Wages and salaries	18,533	17,379
Social security costs	1,659	1,510
Other pension costs	549	494
	20,741	19,383
The average number of staff employed by the group was:	Number	Number
Distribution	485	456
Sales and administration	976	936
	1,461	1,392
Of the above:		
Full-time employees	1,298	1,249
Part-time employees	163	143
	1,461	1,392

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:	1993 £'000	1992 £'000
Corporation tax at 33% (1992, 33%)	5,850	4,536
Deferred taxation	305	639
Tax attributable to franked investment income	44	34
	6,199	5,209
Adjustments in respect of prior financial years:		
Corporation tax	(105)	(190)
	6,094	5,019

10 PROFIT FOR THE YEAR

In accordance with the exemption given by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. The amount of profit on ordinary activities after taxation dealt with in the accounts of the parent company is £6,820,000 (1992, £4,528,000).

Notes to the Accounts
continued

	1993 pence per share	1993 £'000	1992 pence per share	1992 £'000
11 DIVIDENDS				
Interim paid	1.95	1,424	1.75	1,269
Final proposed	5.05	3,687	4.25	3,103
	7.00	5,111	6.00	4,372

12 EARNINGS PER SHARE

Earnings per share is calculated by reference to profit on ordinary activities after taxation of £12,951,000 (1992, £10,667,000) and to the weighted average of 73,014,465 ordinary shares (1992, 70,625,176) in issue during the period.

13 TANGIBLE FIXED ASSETS	Group				Company
At cost or valuation:	Freehold property £'000	Long leasehold property £'000	Plant, equipment and motor vehicles £'000	Total £'000	Plant, equipment and motor vehicles £'000
At 29th February 1992	10,656	191	22,850	33,697	118
Additions	382	–	2,204	2,586	–
Disposals	–	(26)	(576)	(602)	–
At 27th February 1993	11,038	165	24,478	35,681	118
Accumulated depreciation:					
At 29th February 1992	272	46	5,829	6,147	77
Provided	222	4	2,577	2,803	17
Disposals	–	(3)	(349)	(352)	–
At 27th February 1993	494	47	8,057	8,598	94
Net book value:					
At 27th February 1993	10,544	118	16,421	27,083	24
At 29th February 1992	10,384	145	17,021	27,550	41

Cumulative interest capitalised gross of tax relief included in fixed assets amounts to £2,143,000 (1992, £2,143,000).

Included in freehold property are certain properties which were valued in 1989 at £2,775,000. The historical cost of these properties is shown below.

	£'000
Historical cost	1,012
Depreciation	101
Net book value	911

Notes to the Accounts
continued

14 INVESTMENTS

	Group Listed Investments £'000	Company Listed Investments £'000	Company Shares in subsidiary undertakings £'000	Company Total £'000
Fixed asset investments:				
At 29th February 1992	2,835	2,835	3,498	6,333
Surplus on revaluation	409	409	–	409
Additions	–	–	4	4
At 27th February 1993	3,244	3,244	3,502	6,746

The listed investments are quoted on the International Stock Exchange and their historical cost in the group and the company is £453,000 (1992, £453,000).

	Group Listed Investments £'000
Current asset investments:	
At 29th February 1992	350
Additions	480
Disposal	(830)
At 27th February 1993	–

15 STOCKS

	Group 1993 £'000	Group 1992 £'000
Finished goods	22,944	19,245
Sundry stocks	773	519
	23,717	19,764

16 DEBTORS

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
Amounts falling due within one year:				
Trade debtors	74,967	70,852	–	–
Amounts owed by subsidiary undertakings	–	–	69,865	66,788
Prepayments and accrued income	4,623	2,556	81	172
Other debtors	825	1,041	1,586	1,387
	80,415	74,449	71,532	68,347
Amounts falling due after more than one year:				
Other debtors	1,134	1,700	–	–
Advance corporation tax recoverable	–	–	1,070	1,034
	81,549	76,149	72,602	69,381

Included in other debtors is £1,700,000 (1992, £2,266,000) relating to deferred revenue expenditure incurred in connection with the centralised distribution centre at Shaw. This will be amortised over future periods, not exceeding three years.

Notes to the Accounts
continued

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
17 CREDITORS				
Amounts falling due within one year:				
Bank loans and overdrafts	475	350	8,173	4,650
Trade creditors	16,823	16,318	19	22
Current taxation	6,635	5,325	1,597	1,460
Social security and other taxes	4,669	4,368	–	–
Accruals and deferred income	3,484	4,195	169	152
Other creditors	619	457	–	–
Proposed dividend	3,687	3,103	3,687	3,103
	36,392	34,116	13,645	9,387

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
18 CREDITORS				
Amounts falling due after more than one year:				
Bank loans repayable between two and five years	27,000	30,000	27,000	30,000

	Group £'000
19 PROVISIONS FOR LIABILITIES AND CHARGES	
Deferred taxation	
At 29th February 1992	818
Provided during the period	305
Advance corporation tax movement	(36)
At 27th February 1993	1,087

The following shows the amounts provided and the amounts unprovided for deferred taxation in respect of each of the timing differences.

	Provided 1993 £'000	Provided 1992 £'000	Unprovided 1993 £'000	Unprovided 1992 £'000
Accelerated capital allowances	2,123	2,043	630	630
Sundry timing differences	34	(191)	–	–
Advance corporation tax recoverable	(1,070)	(1,034)	–	–
	1,087	818	630	630

The group has approximately £628,000 (1992, £1,349,000) of capital losses. After accounting for these losses there would be a tax liability of approximately £602,000 (1992, £404,000) if the listed investments and revalued properties were disposed of at their balance sheet value.

Notes to the Accounts
continued

	Authorised £'000	Allotted, called up and fully paid £'000
20 SHARE CAPITAL		
Ordinary shares of 10p each:		
At 27th February 1993 and 29th February 1992	9,670	7,301

At 27th February 1993 options over N Brown Group plc ordinary shares under the share option schemes were outstanding as follows:

Option Scheme	Exercise dates	Option price	Number of shares
1984 Executive scheme	Dec 1989 – June 1999	165p – 325p	774,100
1990 Save as you earn scheme	May 1996 – Aug 1998	148p – 241p	593,246
1990 Executive scheme	June 1994 – Nov 2002	231p – 311p	1,772,100

It is anticipated that these options will be satisfied from the shares currently held by the N Brown Group plc Employee Share Ownership Trust.

21 RESERVES	Group				Company		
	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 29th February 1992	24,880	4,206	587	27,054	24,880	2,382	2,046
Retained profit for the year	–	–	–	7,840	–	–	1,709
Surplus on revaluation of listed investments	–	409	–	–	–	409	–
Goodwill written off	–	–	(221)	–	–	–	–
At 27th February 1993	24,880	4,615	366	34,894	24,880	2,791	3,755

The cumulative amount of goodwill resulting from acquisitions in the current and earlier financial years which has been written off is £23,151,000 (1992, £22,930,000).

Notes to the Accounts
continued

	Group 1993 £'000	Group 1992 £'000	Company 1993 £'000	Company 1992 £'000
22 CAPITAL COMMITMENTS				
Contracted but not provided for	–	–	–	–
Authorised but not contracted for	400	–	–	–
	400	–	–	–

23 GROUP OPERATING LEASE COMMITMENTS IN THE NEXT FINANCIAL YEAR	1993 Leasehold property £'000	1993 Plant and equipment £'000	1993 Total £'000	1992 Leasehold property £'000	1992 Plant and equipment £'000	1992 Total £'000
Leases expiring within one year	15	820	835	–	107	107
Leases expiring in two to five years	112	1,627	1,739	82	3,311	3,393
Leases expiring in more than five years	480	2	482	281	2	283
	607	2,449	3,056	363	3,420	3,783

24 GUARANTEES

The parent company has guaranteed the indebtedness of certain subsidiary undertakings which at 27th February 1993 aggregated £Nil (1992, £Nil). The company together with two subsidiary undertakings, J D Williams Group Ltd and J D Williams & Co Ltd, have guaranteed the borrowings of the N Brown Group plc Employee Share Ownership Trust, which at 27th February 1993 amounted to £8.0 million (1992, £9.5 million).

25 CONTINGENT LIABILITIES

There is threatened litigation against J D Williams & Co Ltd in respect of computer leasing contracts, totalling approximately £3.4 million. The directors believe, having taken advice from solicitors and leading counsel, that any proceedings commenced would prove unsuccessful. The potential amount of deferred taxation not provided for is set out in note 19.

26 OTHER STATUTORY INFORMATION

At no time during the 52 weeks to 27th February 1993 did any director have either any beneficial interest in any shares, stocks or debentures of any subsidiary undertaking or any material interest in any contract of significance to the group's business.

Notes to the Accounts
continued

27 PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the group are:

Company	Principal activity
J D WILLIAMS & CO LTD	Direct home shopping by catalogue
DUNLOP HEYWOOD & CO LTD	Consultant property surveyors
MORFITT & TURNBULL LTD	Life and pensions broking
MORFITT & TURNBULL (MANAGEMENT SERVICES) LTD	Investment management

All the companies are wholly owned subsidiary undertakings and operate within the United Kingdom and are registered in England and Wales.

Segmental information has not been given due to the immaterial size of the property and financial service divisions, in respect of the requirement of SSAP 25.

28 PENSIONS

The group operates a defined benefit scheme, the N Brown Group Staff Pension Fund, which provides benefits based on final pensionable salaries. The assets of the 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 30th June 1991 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 2% per annum higher than the rate of annual salary increases and 5½% higher than the rate at which present and future pensions would increase.

At 30th June 1991 the market value of the assets of the scheme was £4,443,000 and the actuarial value of those assets represented 123% of the benefits that had accrued to members to the valuation date based on salaries projected to retirement or earlier exit. There is no material difference between the calculated pension costs charged to the profit and loss account and the contributions paid to the scheme.

The group operates a number of much smaller pension schemes. These schemes are not material in relation to the group's accounts.

The total pension cost for the group was £549,000 (1992, £494,000).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY-EIGHTH ANNUAL GENERAL MEETING OF N BROWN GROUP plc WILL BE HELD AT THE RAMADA RENAISSANCE HOTEL, MANCHESTER, ON THURSDAY THE 8TH DAY OF JULY 1993 AT 2.30PM FOR THE FOLLOWING PURPOSES:-

As ordinary business:-

1 To consider and, if thought fit, to adopt the accounts and the report of the directors for the 52 weeks to 27th February 1993.
2 To approve the payment of a final dividend of 5.05p per ordinary share in respect of the 52 weeks to 27th February 1993.
3 To re-elect Alan White as a director.
4 To re-elect Jim Martin as a director.
5 To re-elect A Paul Forster as a director.
6 To re-appoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

As special business to consider, and if thought fit, pass the following Resolution which will be proposed as a Special Resolution:-

7 THAT:

(a) subject to paragraph (b) of this Resolution, the directors shall be and they are hereby empowered to allot equity securities (as defined in section 94 of the Companies Act 1985) ("the Act") of the company pursuant to any general authority conferred by section 80 of the Act as if section 89 of the Act did not apply to such allotment and the directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power and to allot equity securities accordingly provided that such power shall, subject as aforesaid cease to have effect on the date of the 1994 annual general meeting of the company or such earlier date (if any) on which the said authority is revoked;

(b) the power conferred by paragraph (a) of this Resolution shall be limited to:-

(i) the allotment (otherwise than pursuant to sub-paragraph (ii) below) of equity securities which are, or are to be, wholly paid in cash up to an aggregate nominal amount for the duration of the aforementioned power equal to £365,072.30, being 5 per cent of the issued share capital of the company at 27th February 1993; and

(ii) the allotment of equity securities in connection with offerings of equity securities to the shareholders of the company on a pre-emptive basis where it is, in the opinion of the directors, necessary or expedient so to do in connection with such offerings for the purpose of dealing with fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any recognised body or stock exchange in any territory.

REGISTERED OFFICE
53 Dale Street, Manchester M60 6ES
28th May 1993

BY ORDER OF THE BOARD
PAUL GRUNDY FCA
SECRETARY

Notes:

1 *An explanation of the reasons for the items of special business is set out in the directors report on page 8.*
2 *Only holders of ordinary shares are entitled to attend and vote at the annual general meeting.*
3 *A holder of ordinary shares is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the company. A proxy card is enclosed.*
4 *Proxies must be deposited at the office of the company's registrars not less than 48 hours before the time for holding the meeting.*
5 *No director has a written service contract with the company or any of its subsidiaries other than the contracts expiring or determinable by the company within one year. A statement of directors' share interests is available for inspection at the Registered Office during normal working hours and will be available at the place of the meeting for at least fifteen minutes prior to and during the meeting.*

Printed by Lund Humphries Limited


J.D Williams
Ambrose Wilson
Fashion World
Heather Valley
Hardingdon House
Country Garden
Bury Boot & Shoe
Whitfords
Aldrex
Special Collection
Crescent
Langley House
Whitfords
BURY BOOT &
BEST VALUE
HEATHER VALLEY
AMBROSE WILSON
J.D Williams