

N Brown Group plc / Report and accounts 2000 / The direct home shopping and fulfilment company

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Financial highlights

For the 52 weeks ended 26th February 2000

Summary of results	2000	1999	Change %
<i>Continuing operations</i>			
Turnover	£354.7m	£324.3m	9.4
Operating profit	£51.2m	£46.7m	9.5
Profit before taxation	£47.6m*	£43.2m	10.0
Profit after taxation	£33.2m*	£29.7m	11.8
Earnings per share	23.06p*	20.67p	11.6
Dividends per share	9.10p	8.20p	11.0
Net assets	£172.5m	£148.5m	16.2
Net asset value per share	118p	102p	
Gearing	26%	29%	

* Excluding exceptional credit

Delivering change

We are a leading direct home shopping retailer.

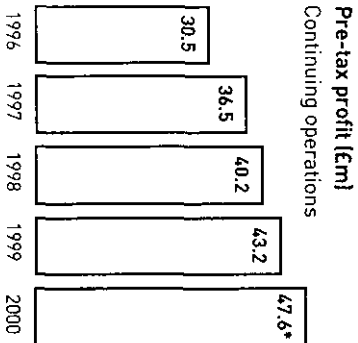
Direct shopping is changing rapidly. Technology is driving this change, opening new channels to customers, presenting them with an even greater choice and creating new challenges for operators in this and other sectors.

A key factor in the growth of N Brown has been the rigorous integration of technology both to manage customer information and to increase efficiency in order processing, stock control and delivery. This has been exploited by the launch of Zendor.com last year, which provides end-to-end logistics fulfilment services to external businesses. Going forward, this expertise will allow the company to maximise the opportunities offered by new media and new markets, both in its core home shopping market and its complementary businesses in logistics, financial services and information.

Links to our trading catalogues, other group companies and partners

Young (30-45)	Shoe Tailor	Other group companies
Fashion World	Shapely Figures	Zendor.com
Classic Combination	Compliments	www.zendor.com
Simply Be	Premier Man	Televue Direct
Middle (45-65)	Full Power	www.televuedirect.co.uk
JD Williams	Elderly (60+)	Vote It
Amrose Wilson	Sartor	Partners
Oxendales	Whitfords	GE Capital
Heather Valley	Bury Boot and Shoe	AHL Services
Fifty Plus	Special Collection	Synectics Solutions
		www.ge.com
		www.ahls.com
		www.synectics-solutions.com

In another highly competitive year for retailing and the home shopping market in particular, I am pleased to be able to report an excellent result for the group. From continuing operations, adjusted profit before tax is up by 10.0% to a record £47.6m on turnover which has risen 9.4% to £354.7m, and adjusted earnings per share are 11.6% ahead at 23.06p.



* Excluding exceptional credit

A recommended final dividend of 6.4p increases the total dividend for the year by 11.0% to 9.1p. The board has also recommended a one-for-one bonus issue, which will improve the marketability of our shares. A circular providing relevant information will be sent to shareholders together with the annual report and accounts.

Our overall sales growth compares favourably with the home shopping sector and the retail market as a whole, and we are particularly pleased with the 11% rise in sales of ladieswear. The launch of the new "Simply Be" catalogue during the year has helped to produce a 15% increase in turnover to younger customers, and sales to the mid-life group, representing 71% of total group turnover, are up by 8%. This growth is mainly due to our strategy of extending product ranges, launching new catalogues to specific target markets, offering products at competitive prices and increasing the use of telemarketing.

Recent developments in the internet and the growth of e-commerce are among the most significant events in industry for many years. We are well positioned to benefit from these developments and

will use them to extend our reach to a far greater number of customers, improve customer service and reduce costs, as well as extending their use to a number of business-to-business applications in areas such as supply chain management.

An increasing number of companies are entering the home shopping market and, while some are using conventional catalogues, there is a small but growing use of the internet, interactive television and several types of intelligent handheld device in these businesses. Some companies, however, do not have the logistics or administrative systems to be able to deliver products direct to customers' homes or handle the inevitable high level of returned goods.

Our home shopping business, by comparison, has over many years developed automated warehouses, a nationwide distribution system and considerable marketing skills. We also have well established call centres and experienced telemarketing teams, essential for the success of an e-commerce business. To capitalise on these core strengths and the changes in technology, in October we announced

the launch of Zendor.com, a new subsidiary established to offer a comprehensive range of fulfilment services to new and existing companies in the sector. This has been extremely well received and has attracted considerable interest since its launch. To date Zendor.com has reached

agreement with four retail clients to develop multi-channel distance shopping propositions. These clients currently have an aggregate retail turnover of over £800m. Given the past investments in our logistics infrastructure, Zendor.com will move into profit later this year after trading has commenced.

A total e-fulfilment business requires the availability of sophisticated credit facilities. Knowledge of the wider characteristics of consumers in product and socio-demographic sectors other than those in which our home shopping business operates is needed to complete the proposition. Therefore, in February this year a subsidiary of GE, one of the largest companies in the world, became a 25% partner in Zendor.com and agreed to provide credit card facilities for clients of Zendor.com. In addition, as well as supporting Zendor.com's marketing to prospective clients, this strategic

partnership will also provide us with access to GE's credit management and other systems, a key factor in our strategy of continuing to reduce costs in a deflationary environment.

The progress of First Financial, our financial services division, is encouraging and we believe there is good potential for further growth beyond this year's profit of £1.3m, particularly by increasing the volume of unsecured loans to customers on our core home shopping database.

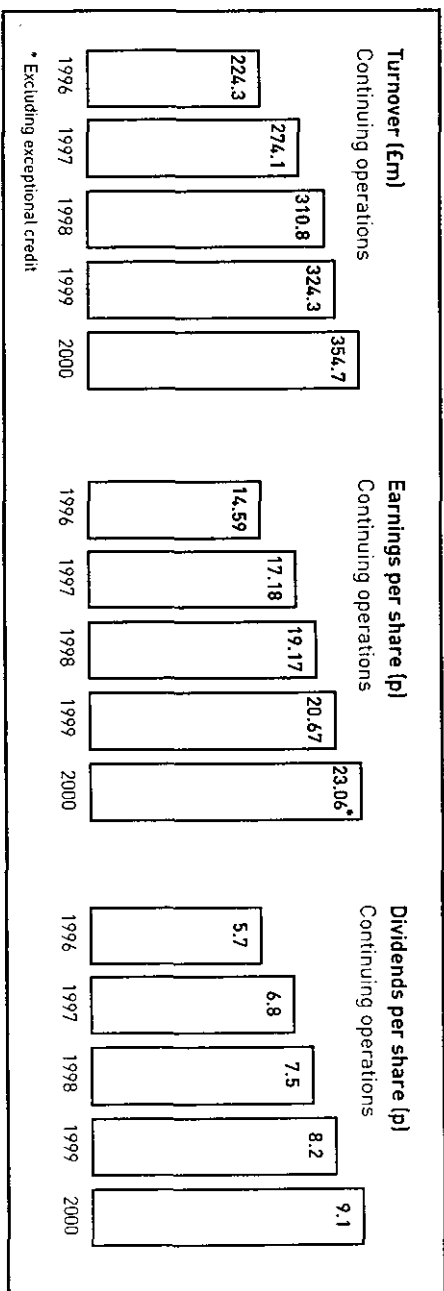
The Turnbull report on internal control was published during the year and we have already enhanced our internal control systems. We welcome this

initiative as we believe it will add shareholder value by promoting risk management as an integral part of the organisation.

Turnover from the current Spring /Summer catalogues is 6% ahead of last year for the first 10 weeks of the new financial year. We feel confident about the increasing strengths of our complementary home shopping, Zendor.com and First Financial businesses, which will continue to receive additional investment in order to facilitate further growth.

On behalf of the board I would like to thank all our management and staff

who have contributed so much to our results. They have exercised both flexibility and innovation to increase market share and worked hard to reduce costs which is crucial in a deflationary climate.



The priority this year has been to expand our business by taking initiatives which are aimed at increasing customer spending, as well as recruiting and retaining more customers to build up the database for the future. We have had some success in both of these areas, which has contributed to increases from continuing operations of 9.4% in group turnover to £354.7m and 10.0% in adjusted group profit before tax to £47.6m.

We have successfully expanded our core markets in customers and products, to achieve another year of record results and lay the foundations for future business growth.

We need to ensure that our core home shopping business continues its consistent growth so that we can successfully exploit the full potential of our complementary businesses in logistics, financial services and information.

"We live in a changing world!"
The rate of change in retail has accelerated over the year and in some respects we have seen more change over this short period than has taken place in the past decade. A major contributor to change has been the behaviour of consumers who are better informed about the price of products and services as a result of increased media coverage of this subject and the emerging use of the internet which makes comparisons much easier. There has also been a growth in the influence of value retailers who offer competitive prices for commodity products.

The group's activities are now focused on home shopping, logistics, e-fulfilment, financial services and an emerging interest in information. All of these areas leverage off core skills which have contributed to business growth over many years.

"In home shopping, customer spending is up and more customers are being recruited."
Turnover rose by 9.4% to £355m and operating profit increased by 9.5% to £51m.

The number of established customers who were on the database before March 1999 and ordered this year reached 2 million, an increase of 5% against the equivalent population last year. Their average spending was up by 3% as a result of more publications, wider ranges and more frequent contact. The remaining 1% of the overall growth in turnover arose from the increased number of customers recruited during the year.

We have actively targeted the younger sector of the market in the age range 30-45 years and turnover from our catalogues in this sector increased by 15% to £67m. The more established younger catalogues of Fashion World and Classic Combination were complemented by Simply Be, launched during the year and offering an affordable range of ladieswear in larger sizes. We were also pleased with the mid-life catalogues where turnover reached a record £250m, up 8% on last year. Catalogues in

this group are targeted at women in their forties to early sixties and principally comprise J D Williams, Oxendales, Ambrose Wilson and Fifty Plus, all providing merchandise in a wide range of fittings and sizes. Catalogues for older customers lagged 60 years or over) achieved a turnover of £24m, up by 4%. Sales from House of Stirling, our field-based direct sales operation, fell slightly to £10m during a year of consolidation in which new systems were introduced to create a solid platform for the future expansion of this business.

Strong growth in younger fashion, lingerie and nightwear helped ladieswear turnover reach £201m, a very satisfying increase of 11% over last year. Footwear sales rose by 6% to £34m, which is ahead of the market rate of growth. Menswear, which nationally has been the worst affected retail category, fell by 3% to £33m. Household and electrical product sales increased by 9% to £83m, a category which is so important to our strategy of adding incremental customer spending.

On-line shopping is the fastest growing sector in distance shopping after direct mail order catalogues. Among our customers, over 300,000 already have access to the internet and the number of them purchasing through our sites is increasing rapidly. These sites have recently been upgraded and are fully integrated into our order processing systems, as well as providing information on stock availability and customers' personal account transactions. This represents a significant opportunity for N Brown.

40,000

items of mail processed daily

The shape of distance shopping is changing. There are already multi-channels available to and from the customer - phone, internet and interactive digital TV - alongside printed catalogues.

With our traditional strengths in distance shopping we are well placed to exploit these new routes.

Over **300,000** customers with internet access

8 million returned items are reprocessed annually

14,

Over **15 MILLION** calls every year

000,000 despatched parcels each year

12

main catalogue titles integrated
into one central process

Distance shopping
will have a greater
share over the next
3 years than it has
over the last 10

50%
of our sales arise
from activities
outside our
trading catalogues

Online and TV
shopping are growing
rapidly. Sales grew by
41% to £577m in 1998.
By 2003 sales are
forecast to be at least
£6,000m

e-tailing
reduces transaction costs
by as much as
15%

27,000,000

items picked from our warehouses every year

1,200

courier territories opened

Gross margins were up by 1% to 56% due to a favourable mix of sales and a reduction in mark downs. In take margins were very similar to last year with any reductions in cost prices being passed on to customers. These results have been helped by the continued development of stock forecasting systems which have enabled us to control stocks effectively in a volatile market.

Customers regard the availability of credit as an essential part of our offer. The choice of interest-bearing and interest-free credit terms has been widened and there is now available a rental option for television and other consumer electronic goods through Televue Direct. At the end of the year there were 1.4m debtors owing an average of £128 each, with aggregate debtors of £185m, up by 12%.

We have created a range of new internet sites, which in the near future will be progressively offered to all customers wishing to buy from one of our brands. These sites are fully integrated into our order processing

systems and include information on stock availability and transactions on each customer's personal credit account. This is a most important channel of selling to existing customers as well as creating opportunities for us to widen the reach of our offer.

"We have a number of advantages in this fiercely competitive retail climate." The fiercely competitive retail climate is being addressed in a number of ways. The pricing of products is constantly reviewed to provide value for money after reflecting the benefit of extra services, such as free delivery to the home and the free collection of returns. Almost half of our sales are from smaller brochures sent to customers every month, which mostly feature merchandise available in the larger bi-annual catalogues but presented closer to the natural selling time in the season. There is also the opportunity to adjust prices quickly if they are found to be out of step with other retailers.

Our catalogues have unique selling propositions relating to size, fittings

or products which are difficult for customers to find elsewhere.

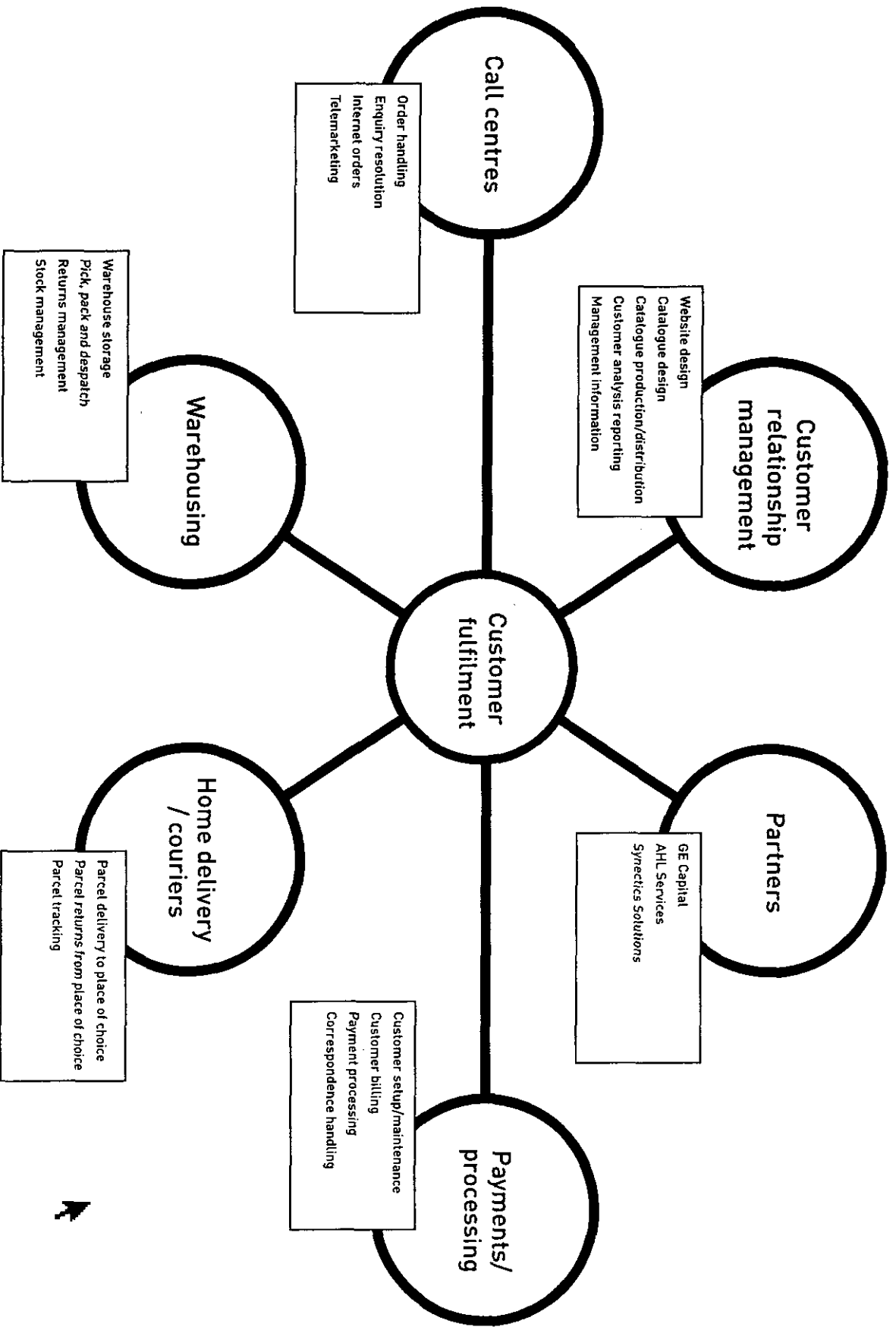
Customers have the choice of buying from one of many sales channels, including catalogues, newspaper and television advertisements, internet, telephone contact or at the doorstep.

"A single unified logistics operation is at the heart of our business." We have several routes to market as well as operating through many different catalogue brands. Our logistics operation by contrast is a single unified system.

Logistics consists mainly of call centres, warehousing and distribution, all fully integrated by bespoke computing systems. Around 75% of sales are handled by telephone, through fully networked call centres in the North West and the North East of England. We have an expanding telemarketing function which has created a wide range of sales programmes directed at carefully selected customers from the database, using predictive telephone dialling equipment to improve efficiency.

Few companies have the capability to deliver all of the end-to-end fulfilment services required by businesses entering the distance shopping market.

With the establishment of Zendor.com, we have a unique opportunity to leverage our logistic skills by offering a service to those entering this rapidly expanding market.



The main distribution centre is located in Shaw, near Oldham, and is used for picking and collating two or three items ordered by each customer from a seasonal range of around 40,000 stock options, as well as receiving and refurbishing large volumes of returned products. Storage facilities were increased last year when an automated, high bay carton store became operational. Additional investments are being made which include enhancements to the main sorting system to handle extra volumes, as well as equipping a new section of the high bay to give capacity next year for a further 3 million items of stock. A 60,000 square feet, single storey warehouse, suitable for larger products, was recently acquired in nearby Rochdale. These investments will support core home shopping business growth as well as the expected volumes from Zendor.com's clients.

Andy was previously Managing Director of Logistics at Unipart and has wide experience over the past fourteen years handling logistics on behalf of a variety of third party clients.

"Zendor.com's fulfilment proposition with GE has attracted much interest."

A new venture was announced last October to provide end-to-end fulfilment services for companies entering the distance shopping market using either traditional catalogues or the internet. Zendor.com is a marketing services company and will mainly use home shopping logistics capabilities.

The provision of credit facilities for clients is an essential part of a complete fulfilment service. The strategic partnership between Zendor.com and GE, the world's foremost provider of credit, creates a one stop fulfilment service which GE is now promoting to its UK retail clients. Shares in Zendor.com are 75% held by N Brown and 25% by a subsidiary of GE, to reflect the relative contribution of the two groups to this new venture. In addition, a marketing alliance was created with AHL Services,

a large US based logistics company, who will promote Zendor.com to those of their US retail clients wishing to enter the European market. Zendor.com has a dedicated team engaged in marketing, account management, customer relations and finance, under the leadership of its Managing Director, Keith Bassett.

"The current deflationary climate will continue."

In this harsh deflationary climate, it is necessary to be particularly innovative with measures to reduce costs and improve efficiency. Initiatives we are taking include a continuous review to simplify business processes and the partnership with GE is helping us to identify new opportunities, including volume aggregation, which will reduce costs. There are also downstream gains from the improved efficiency and benefits of scale in the logistics operation from organic growth and extra volumes from clients of Zendor.com.

Skills in risk management and the use of databases have given us a sound basis on which to build our offer in financial services.

Detailed knowledge of our customers has allowed us to build a financial services database and target its services precisely towards the markets we serve.

First Financial

Financial services

Personal loans

Life insurance

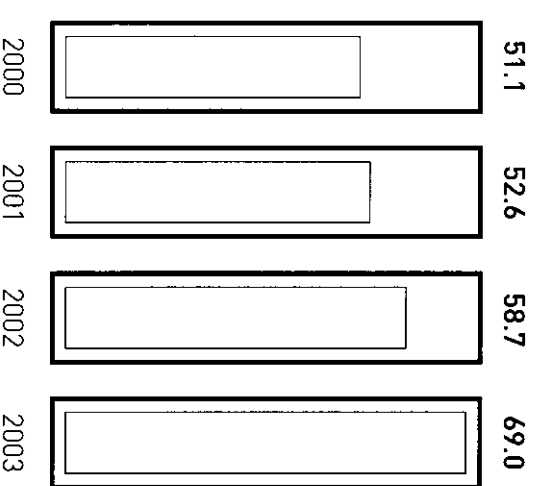
Home insurance

Credit cards

Extended warranties

Forecast UK personal lending market (total)

Forecast gross advances of unsecured personal loans (£bn)



"There are many opportunities to develop financial services."

The financial services division, First Financial, was formed in 1998 and has grown organically to an operating profit last year of £1.3m (1999: £0.7m). It is currently a commission-based intermediary which takes no risks on any business it undertakes with core home shopping customers. It partners with respected companies in the insurance and retail banking sectors using their expertise and administrative systems.

Last year First Financial created a new tailor-made financial services database, populated with almost 3 million names and details of dates of birth and insurance renewal dates. Information from lifestyle surveys and telemarketing

campaigns has also been added to improve our effectiveness when promoting sales of financial products.

"Our information skills will help us to generate profits in new areas."

We have a large database with around five year's transactional data on several million customers, together with a growing volume of behavioural and demographic information. This has been used to create scoring systems which have improved the focus of our marketing campaigns. There are a number of other information-related opportunities which

will give extra strength to our home shopping business as well as creating a new profit centre, and we have made a number of small but strategic investments in this area.

At this stage it is difficult to predict the scale of this, but details will emerge progressively over the medium term.

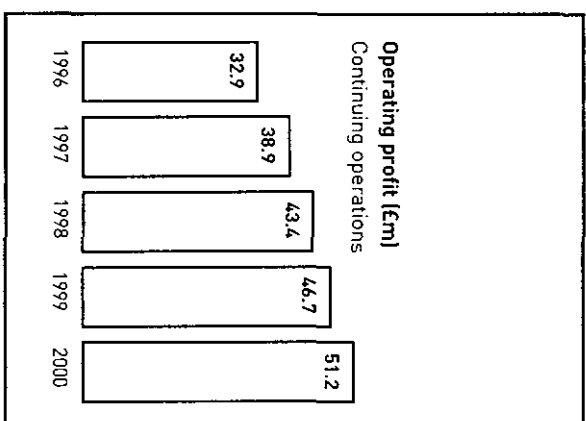
"Prospects."

We have an outstanding team of people who are committed to our strategic direction of further developing the core home shopping business as well as the emerging activities in logistics, fulfilment and financial services. I would like to thank them for their contribution in a changing retail climate which has required them to be innovative and flexible.

I believe we have robust strategies in place and look forward to the future with confidence.

Group turnover on continuing activities increased by 9.4% to £354.7m (1999, £324.3m) mainly from extra customers and an increase in their average spending.

Operating profit from continuing activities was up 9.5% at £51.2m (1999, £46.7m) giving a stable operating margin of 14.4% (1999, 14.4%) and profit before tax excluding exceptional items was up 10.0% at £47.6m (1999, £43.2m).



Group trading summary

There are exceptional items affecting the results in each year. Last year we reported a £14.7m loss on disposal of the property and financial services division. This was stated in accordance with FRS3 whereby the profit over book value on disposal was £3.2m offset by the write back of goodwill previously written off to reserves of £17.9m, giving a net loss of £14.7m. This year we sold 25% of the ordinary shares in Zendor.com to a subsidiary of GE. We received a net consideration of £3.8m as well as access to GE's credit infrastructure and other skills.

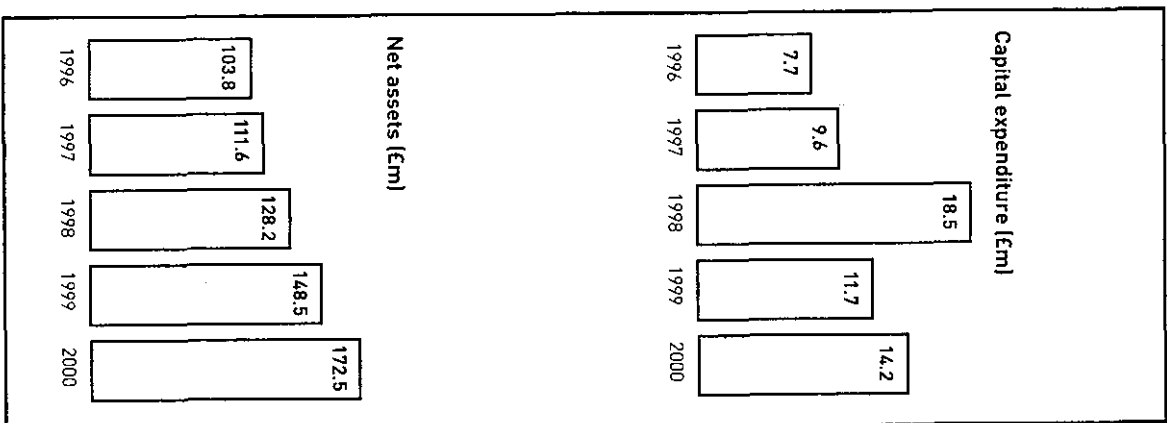
In April 1999 the group increased its shareholding in Teleview Direct, a direct electrical equipment rental operation, from 32% to 85% making it a subsidiary of the group. Its results have been fully consolidated in the current year's accounts. In December 1999, Teleview acquired Harris of Saltcoats, a Scottish direct equipment rental business, which has boosted Teleview's rental fleet to approximately 35,000 units.

In November 1999, the group acquired a 55% strategic stake in Vote It Limited, a company involved in voting response capture and analysis primarily by telephone, for £0.2m.

Gross margin from continuing activities improved by 1.0% to 56.0% reflecting a favourable mix of sales and a reduction in markdowns.

Distribution costs from continuing activities rose by 10.3% to £36.4m due to normal increases in volumes and prices in line with turnover and some double running costs of warehousing on site rationalisation.

Selling and administration costs from continuing activities increased by 12.3% to £11.0m. However, this includes the costs of Teleview. Adjusting for Teleview, the underlying increase would be 10.5% with the balance above turnover growth relating to increased mailing spend on customer recruitment which is ahead by 18%.



The rate of corporation tax on adjusted profits from continuing activities is 30.2% (1999, 31.3%), benefiting from a reduction in the corporation tax rate from 31% to 30% in April 1999.

Financial needs and resources

Net borrowings started the year at £43.5m and ended at £45.1m, on which interest payable from continuing activities rose by 2.2% to £3.6m. Interest is now covered 14.4 times (1999, 13.4 times).

There was a small cash outflow of £2.0m before financing, compared to last year's inflow of £9.9m which benefited from the £10.0m VAT refund.

Inflows of £61.6m from profit before interest, depreciation and tax and the GE net proceeds of £3.8m were not quite sufficient to cover the principal outflows of £23.7m for working capital, £3.6m for interest, £14.1m for corporation tax, £14.2m for capital expenditure and £12.3m for dividends paid. The high working capital requirement reflects the £19.9m increase in interest-bearing home

shopping debtors to £184.9m arising mainly from a natural appetite from our customers for more credit.

Capital expenditure totalled £14.2m which included £3.5m for the purchase of rental assets for Teleview and £2.1m for finalisation of the high bay warehouse extension. The balance comprised mainly hardware and software on major infrastructure projects such as a telemarketing predictive telephone dialler, House of Stirling field operation hand held personal computers and stock forecasting systems.

Borrowings have been financed by an £85m syndicated loan facility in place at the year end, together with a further £20m of available funds. These facilities contain covenants linked to levels of gearing, net assets and interest cover. Since the year end we have replaced the syndicated loan facility, due to expire in February 2001, with a similar facility for £90m which expires in March 2005, mainly with the existing banks. A 16.2% increase in net assets to £172.5m has countered the

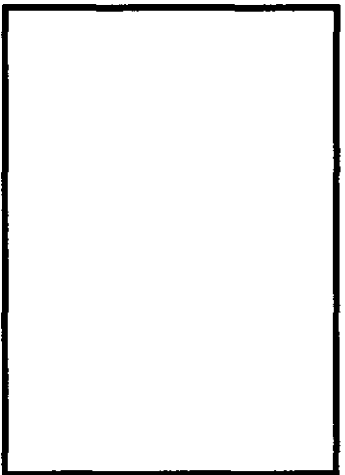
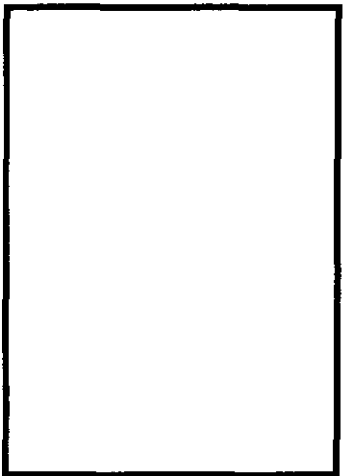
slight increase in borrowings to reduce gearing from 29% to 26% at the year end.

Treasury

The group's treasury policy is designed to reduce risk whilst ensuring that adequate and cost effective arrangements are in place to support future trading activities.

Interest rate swaps, fixed rate loans and finance leases have secured the rate of interest on £18.8m of the £45.1m year end borrowings. We also cover forward our anticipated foreign exchange requirements which are mainly for the purchase of trading stock from Far Eastern suppliers denominated in US dollars or linked currencies in reducing proportions over a three year cycle. A detailed analysis of derivative instruments used to manage treasury risk is given in note 23 on page 45 in accordance with FRS13.

<p>Accounting standards and going concern</p> <p>The directors report that, having made appropriate enquiries, the group has adequate resources to continue in operational existence for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the accounts.</p> <p>During the year several new accounting standards have become mandatory in compliance terms.</p> <p>FRS12 'Provisions, Contingent Liabilities and Contingent Assets' and FRS13 'Derivatives and Other Financial Instruments: Disclosures' were adopted early as reported last year and applied consistently this year.</p> <p>FRS 14 'Earnings per Share' continues to be applied.</p> <p>FRS15 'Tangible Fixed Assets' has been adopted early this year. This has no significant effect on the group accounts except that we have chosen not to continue with the revaluation of properties. We decided in the best interests of the group that we would take advantage of the transitional</p>	<p>provisions of the FRS and retain the existing book values of the previous revaluation made in 1994.</p> <p>Year 2000/Euro</p> <p>The dedicated Year 2000 taskforce has been disbanded after the successful completion of the Millennium project. The business did not suffer any significant compliance issues and many systems and back up procedures have been further enhanced as a result of the detailed planning and remediation process. We will, however, remain vigilant in case any undetected problems materialise. As anticipated last year and in accordance with UITF Abstract 20, we did not charge any further significant Year 2000 expenditure to the profit and loss account during the year.</p> <p>We have little trade within the European Community, although our Irish home shopping business is converting its catalogues and systems over to the Euro and we will use this experience in our future plans for the rest of our business. However, any major expenditure or changes to systems</p>	<p>relating to the Euro will not be implemented until the situation regarding the UK's membership of the EMU is clarified.</p> <p>Shareholders' return</p> <p>The directors are recommending a final dividend of 6.4p (1999, 5.8p) giving a total dividend per share for the year of 9.1p (1999, 8.2p), an increase of 11.0%. The dividend is covered 2.5 times by the adjusted earnings from continuing activities (1999, 2.5 times).</p> <p>Net assets per share are 118p (1999, 102p) based on 146.3m shares in issue and total net assets of £172.5m (1999, £148.5m). The share price started the year at 311p and increased significantly following the Zendor.com announcement in October to reach 802.5p at the year end. The share price has since fallen to 625p at the end of April as technology related stocks have been downgraded. At the year end the group has doubled its market capitalisation to over £1 billion (1999, £454m) and became one of the Top 200 companies in the UK by market capitalisation.</p>
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Sir David Alliance CBE (67), Chairman *†A

Appointed a director and Chairman in 1968. Formerly Chairman of Coats Vyeella Plc. He is also a director of a number of private companies.

Jim Martin (57), Chief Executive A

Formerly with Unilever and Dunlop, he joined the company in 1973 and held a number of senior positions before becoming Chief Executive in 1984. He is also a non-executive director of Redrow Group Plc.

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Tim Kowalski (41)

Finance Director

Appointed a director on 18th May 1999. Formerly with KPMG, Burtons Plc, Grand Metropolitan Plc and most recently finance director of the Pubs and Restaurants Division of Greenalls Group Plc.

Nigel Alliance OBE (65)

Non-Executive Director *†

Appointed a director in 1969, changed to non-executive director status in 1995. He is also a director of a number of private companies.

Lawrence Ziman (61)

Senior Non-Executive Director *†

Appointed a director in 1994 and senior non-executive director in 1998. Formerly a senior partner with solicitors Nabarro Nathanson, now with international law firm Chadbourne & Parke. Chairman of the Audit Committee.

Ivan Fallon (55)

Non-Executive Director *†A

Appointed in 1994. He is also Executive Chairman of Touch plc, Chief Executive of Independent News & Media (SAI) and a director of Independent News & Media plc. Chairman of the Nomination Committee.

Robert Youngjohns (48)

Non-Executive Director *†

Appointed a director on 30th April 1999. Formerly a director of IBM (UK) Ltd, he is currently Vice President at Sun Microsystems™ with responsibility for Europe, the Middle East and Africa. Chairman of the Remuneration Committee.

Paul Grundy (43)

Company Secretary

Joined the company in 1993 having previously been with Arthur Andersen and Director of Finance at Hilli (GB) Ltd.

* Audit Committee member † Remuneration Committee member A Nomination Committee member

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Directors' report

The directors submit their report and accounts for the 52 weeks ended 26th February 2000.

1 Activities and results

The principal activities of the group are retailing through direct home shopping, logistics, fulfilment and financial services. The activities are more fully explained in the Chief Executive's review on pages 4 to 12. Group profit before taxation for the 52 weeks ended 26th February 2000 amounted to £51.4m. No geographical segmentation is provided as, apart from a small operation in the Republic of Ireland, all activities take place in the United Kingdom.

2 Dividends and reserves

An interim dividend of 2.70p per share (1999, 2.40p) was paid on the ordinary shares of the company on 21st December 1999. The net cost of this dividend was £3.9m (1999, £3.5m). The directors recommend a final dividend of 6.40p per share (1999, 5.80p) for the 52 weeks ended 26th February 2000, the net cost of which will be £9.3m (1999, £8.4m). Movements in reserves are shown in note 26 on page 47.

3 Acquisitions and disposals

In April 1999, the group increased its holding in Teleview Direct Limited to 85% and in December 1999 the group acquired Harris of Saltcoats Limited, both companies being engaged in the rental of electrical equipment to consumers. In November 1999, the company acquired 55% of the issued share capital of Vote It Limited, a company engaged in voting response capture and analysis.

In February 2000, the group entered into a strategic partnership with GE to develop Zendor.com Limited, the group's fulfilment service company launched in October 1999. As part of the agreement, a subsidiary of GE purchased 25% of the ordinary share capital of Zendor.com Limited for a net cash consideration of £3.8m.

4 Share capital

During the year, 249,300 shares were issued in connection with the group's Qualifying Employee Share Ownership Trust. Details of outstanding share options are shown in note 25 on page 46.

5 Creditor payment policy

It is the group's policy to comply with the terms of payment agreed with its suppliers. Trade creditors of the group at 26th February 2000 represented 31 days (1999, 33 days) of purchases.

6 Annual general meeting

The annual general meeting will be held on 5th July 2000. The notice convening the annual general meeting is incorporated in the separate circular to shareholders dated 31st May 2000 which accompanies this annual report and accounts and which explains the special business which is to be transacted at the meeting.

Directors' report

7 Directors

The biographies of the directors, all of whom served throughout the year with the exception of Tim Kowalski who was appointed on 10th May 1999 and Robert Youngjohns who was appointed on 30th April 1999, are shown on page 16.

Alan White resigned as a director on 10th May 1999 and Paul Forster retired from the board on 7th July 1999.

In accordance with the articles of association, Sir David Alliance CBE and Lawrence Ziman will retire by rotation at the next annual general meeting and being eligible, offer themselves for reappointment at that meeting.

Directors' interests are separately disclosed in the remuneration report on page 27.

8 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.

9 Major shareholders

In addition to the directors' shareholdings shown in the remuneration report on page 27, the directors are aware of the following shareholdings of 3 per cent or more of the issued share capital at 30th April 2000:

	Holding	% of issued share capital
Battle Gifford & Co	6,322,890	4.3
Scudder Threadneedle Investment Managers Ltd	6,251,127	4.3
Fidelity Investment Management Ltd	5,425,899	3.7

10 Employee involvement

The group firmly believes that continuing success can only be achieved through an enthusiastic, motivated and well trained workforce. Consequently, considerable resources are devoted to staff training, departmental team briefings are held and a staff attitude survey is conducted regularly. This is in addition to established communication channels such as corporate videos, staff magazines and meetings with the recognised trade unions.

Over 1,300 group employees either hold shares in the company or have options/awards to acquire them through the group's various option and long term incentive schemes.

11 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.

Directors' report

12 Environmental policy

The group recognises its environmental responsibilities and is committed to minimising any damage which its activities may cause to the environment. It has delegated specific responsibility for environmental matters to a *nominated director* on each of its principal subsidiary boards. In addition, it actively pursues a number of environmental policies, including those designed to contain energy costs, recycle paper and packaging materials wherever practical and use information technology systems to reduce the level of consumption of paper by its employees.

13 Pension fund

The group continues to ensure that the N Brown Group Pension Fund is managed in accordance with best practice and current legislation, including the Pensions Act 1995. The fund's assets are administered by a *trustee company* which is controlled by a board of directors, all 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 fund's investments are managed by Mercury Asset Management Plc and the actuarial and administration services are provided by William M Mercer Ltd.

The last actuarial valuation of the fund was completed in 1997 and its results are disclosed in note 32 on page 48.

14 Tax status

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

15 Charitable and political donations

Charitable donations totalled £32,898 (1999, £31,619). No political donations have been made.

16 Auditors

A resolution to reappoint Arthur Andersen as auditors to the company and to authorise the directors to fix their remuneration will be proposed at the annual general meeting on 5th July 2000.

By order of the board

Paul Grundy FCA

Secretary
10th May 2000



Corporate governance statement

The directors continue to recognise the importance of good corporate governance, now formalised by the Combined Code of the Committee on Corporate Governance (the Code) which was published in June 1998. This statement, together with the directors' report on remuneration set out on pages 23 to 27, explains how the group has applied the principles contained in Section 1 of the Code.

Directors

The board of directors meets regularly, at least six times a year, and receives appropriate and timely information in advance of meetings in order for it to be able to properly consider matters brought before it. There are currently seven directors, of whom five are non-executive. Sir David Alliance CBE is Chairman and Jim Martin is Chief Executive. Lawrence Ziman is senior non-executive director, to whom concerns can be conveyed by shareholders, other directors or interested third parties. The board considers that all of the non-executive directors are independent.

The board operates three principal committees:-

- audit - chaired by Lawrence Ziman and comprising all five non-executive directors. The committee meets with both internal and external auditors when appropriate and receives reports on matters arising from their audits and on actions taken in response to their findings. It also reviews the half year and full year results before their approval by the board, the effectiveness of the group's internal financial control systems for which the directors are responsible and the independence and objectivity of the external auditors and the scope and cost effectiveness of their audit.
- remuneration - chaired by Robert Youngjohns and comprising all five non-executive directors. It is responsible for reviewing and making recommendations to the board on matters of policy relating to the remuneration of executive directors of the company and other senior executives within the group, as well as determining the elements of the remuneration packages of individual group executive directors.
- nomination - chaired by Ivan Fallon, also comprising Sir David Alliance CBE and Jim Martin, this committee is responsible for making recommendations to the board on all new board appointments. All directors now have to submit themselves for reappointment at least once every three years.

Shareholders

Regular meetings are held with institutional shareholders, immediately after the announcement of interim and full year results and also at other times of the year as appropriate.

During the year the company operated its new policy of giving at least 20 working days notice of its annual general meeting and indicating at that meeting the number of proxy votes cast for each resolution.

It is anticipated that the chairmen of the board and of its principal committees described above will be available at the forthcoming annual general meeting to answer relevant shareholders' questions.

Internal control

The directors recognise that they have overall responsibility for ensuring that the group maintains a sound system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal controls and compliance with laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance.

The board of directors (through the audit committee) has reviewed the effectiveness of the system of internal financial control for the year under review.

The key features of the internal financial control system that operated throughout the financial year are described below (the board has limited its comments to internal financial controls, as permitted by the transitional rules of the London Stock Exchange regarding the publication in September 1999 of Internal Control : Guidance for directors on the Combined Code ["Turnbull guidance"], and accordingly has based its comments on the 1994 publication entitled Internal Control and Financial Reporting - Guidance for directors of listed companies registered in the UK):-

- Organisation structure

There is a well defined organisation structure throughout the group, with clear lines of responsibility and appropriate authority delegated to divisional boards and executive management.

Corporate governance statement

- Financial reporting

The group has a comprehensive system of planning, budgeting and monthly reporting of results to appropriate levels of management, including the board.

- Matters requiring authorisation

The board has a number of matters reserved for its approval, including those relating to major capital expenditure, corporate plans and budgets, banking facilities, acquisitions and disposals.

- Monitoring/corrective action

As referred to above, the board meets on a regular basis and receives a comprehensive pack of information, which includes reports on progress with key projects and issues which need to be brought to the board's attention. Any material weaknesses identified by management or the auditors are formally reported on and progress with necessary corrective action is reviewed.

- Internal audit

There is an independent internal audit function, the head of which has direct access to the Chief Executive and the chairman of the audit committee.

The head of internal audit meets with the audit committee at least twice a year to confirm and approve the scope of future audit plans. The audit committee also reviews the results and recommendations of previous audit reports.

The board has recently enhanced the group's risk management system and internal control procedures necessary to implement the Turnbull guidance, such that it is able to comply with this guidance for the accounting period ending 24th February 2001.

Compliance with the Code

With the exception of the group's policy on the inclusion of annual bonuses in the definition of pensionable salary for executive directors of the company (see remuneration report, page 24), the group has complied with the provisions of the Code of Best Practice set out in section 1 of the Code throughout the financial year.

Remuneration report

This report is given on behalf of, and has been approved by, the board of directors.

The remuneration committee of the board (the committee) comprises solely the non-executive directors, all of whom the board considers to be independent. The committee members have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interest arising from cross directorships and no day to day involvement in running the business. Members of the committee are shown on page 16 and its remit is described on page 21.

Following the publication in June 1998 of the Combined Code (the Code) relating to corporate governance, the board have reviewed the group's compliance with the Code on remuneration related matters. With the exception of the inclusion of annual bonuses in the definition of pensionable salary (see below), the group complied with all remuneration related aspects of the Code during the year.

Remuneration policy for executive directors and senior executives

The group aims to attract, motivate and retain executive directors and senior executives by offering them competitive remuneration packages which are linked to individual and corporate performance. The main elements of these packages are described below.

Basic salary

Salaries are established by reference to individual performance and external information for executives of comparable status, responsibility and skills in organisations of broadly similar size, in particular those existing in the home shopping and retail market sectors.

Annual performance related bonus

In addition to basic salary, each executive director and senior executive participates in one of a number of annual performance related bonus schemes. Each scheme is designed to stretch the performance of the executive and is linked to the growth in annual profit and the achievement of other business targets. These targets are reviewed and agreed by the committee at the beginning of each financial year.

For executive directors the level of bonus is capped at 50% of annual basic salary.

Long term incentive share plan

Executive directors and certain senior executives are eligible to participate in the group's long term incentive share plan instead of receiving grants of executive share options (see below). The plan provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby better aligning the interests of shareholders and executives.

Following various amendments to the rules of the plan approved by shareholders in 1998, eligible executives are now allocated a number of shares at the beginning of a three year period, a proportion of which they will be entitled to at the end of that period to the extent that the performance condition set by the committee at the time the allocation is made has been satisfied. The performance condition is based on the achievement of targets that are geared to the amount by which the annual rate of growth in the group's earnings per share exceeds that of the Retail Price Index (by a minimum of 3% measured as the average annual performance over the three year period. In addition, the number of shares received by executives will be enhanced by 50% if the entitlement is not taken up until two years after the end of the performance period.

Executive share option schemes

The group operates an Inland Revenue approved executive share option scheme (the 1990 approved scheme) under which, in normal circumstances, only those executives and other group employees ineligible to participate in the above long term incentive share plan are considered for grants of options over N Brown Group plc shares. The options can normally only be exercised after they have been held for three years (provided the option holder is still employed by the group) and will lapse after having been held for ten years. The group also operates an unapproved executive share option scheme, the rules of which mirror the rules of the 1990 approved scheme. The purpose of the unapproved scheme is to permit the grant of options in excess of the limit of £30,000 imposed under the 1990 approved scheme by the Finance Act 1996.

For newly appointed or promoted eligible executives, options will be granted to those who have met or exceeded individual performance objectives after an initial qualifying period of service, the number of shares being calculated by reference to an appropriate factor of basic salary. Subsequent grants are normally made at regular intervals thereafter, dependent on individual performance.

Since 1996, executive options granted as described above contain a condition that they are only capable of being exercised if, during any period of three complete financial years ending prior to the date of exercise thereof, the growth in the group's earnings per share exceeds that of the Retail Price Index by at least 9.2% (equivalent to 3% per annum compound growth).

Savings related share option scheme

The group operates a savings related share option scheme for the benefit of all employees in the group, provided they have completed at least six months service. Eligible employees, including executive directors and senior executives, may be granted options over N Brown Group plc shares at a discount of up to 20% to the prevailing market price at the time of grant of the option, which (subject to certain conditions) can be exercised after either three or five years. Approximately 30% of eligible group employees currently participate in the scheme.

Pension schemes

The group operates a number of Inland Revenue approved pension schemes for the benefit of all eligible employees. The executive directors are members of the N Brown Group Pension Fund ('the Fund'), which is a defined benefit scheme. It provides for them a normal retirement age of 60, a pension accrual rate based on 1/40th of pensionable salary (to give a maximum pension of 2/3rds pensionable salary at normal retirement date, including retained benefits) and a lump sum death benefit of four times pensionable salary.

All members of the Fund pay contributions at the rate of 6% of pensionable salary. The group bears the cost of providing the lump sum death benefit and the balance of contributions necessary to finance Fund benefits.

Prior to 27th February 2000, the Fund rules incorporated annual bonuses in the definition of pensionable salary for all executive directors and certain senior executives, to reflect the group's philosophy of linking a significant proportion of their overall remuneration package to business performance and the achievement of demanding targets. The committee has kept this policy under regular review and previously regarded it as being appropriate to the group's circumstances at the time. However, the board of directors have recently accepted a recommendation from the committee that, with effect from 27th February 2000, annual bonuses be excluded from the definition of pensionable salary for all new executive directors and other new group executives.

Benefits in kind

Other benefits in kind are provided to executive directors and senior executives commensurate with their position, principally a company car, permanent health insurance and private medical expenses cover.

Service contracts

The current Chief Executive's service contract provides for a notice period not exceeding two years. The committee considers this period to be appropriate for the director concerned in view of his considerable experience of the home shopping market and his valuable contribution to the company as Chief Executive. The board now has a policy of limiting new executive directors' contractual notice periods to one year or less except in exceptional circumstances, in which case the period would reduce to one year or less after an appropriate initial term.

Remuneration report

Changes to bonus and share incentive schemes

The executive share option schemes and the savings related share option scheme are due to expire in 2000 and the group intends to renew these schemes. The committee has taken this opportunity to review all of the share based incentive schemes available to executive directors, senior executives and other employees of the group, together with the annual performance related bonus scheme available to executive directors and senior executives.

The outcome of this review has resulted in a series of proposals which will be put to shareholders for consideration at the forthcoming annual general meeting convened for 5th July 2000. Further information and notice of the meeting are set out in a circular to shareholders dated 31st May 2000 which accompanies this annual report and accounts.

Directors' remuneration and interests

Emoluments

The individual elements of directors' emoluments for the year are as follows:

	Salaries /fees £'000	Taxable benefits £'000	Performance related bonus £'000	Money purchase pension contributions £'000	2000 Total £'000	1999 Total £'000
Executive (salaries)						
Jim Martin	280	16	114	1	411	350
Tim Kowalski (appointed 10th May 1999)	105	11	48	-	164	-
Alan White (resigned 10th May 1999)	31	3	-	-	34	214
Non executive (fees)						
Sir David Alliance CBE	17	23	-	-	40	35
Nigel Alliance OBE	18	-	-	-	18	18
Lawrence Ziman	31	-	-	-	31	20
Ivan Fallon	18	-	-	-	18	18
Robert Youngjohns (appointed 30th April 1999)	16	-	-	-	16	-
Paul Forster (resigned 7th July 1999)	7	-	-	-	7	20
	523	53	162	1	739	675

Remuneration report

Pension entitlements

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

	Accrued pension at 27th February 1999 £'000	Accrued pension at 26th February 2000 £'000	Increase during year (excluding inflation) £'000	Transfer value of increase £'000
Jim Martin	168	203	33	464
Tim Kowalski	-	2	2	14
Alan White	52	60	8	71

The pension entitlements shown are those which would be paid annually on retirement, based on service to the end of the year. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note 11 and are net of directors' contributions. Members of the scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above table.

The company also makes an annual contribution to a money purchase scheme for the benefit of Jim Martin.

Share options

Details of directors' share options are as follows:

	At 27th Feb 1999	Granted in year	Lapsed in year	Exercised in year	At 26th Feb 2000	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
Jim Martin	200,000	-	-	-	200,000	187.0p	323.0p	30/06/96	30/06/03
Executive SAVE	3,026	-	-	-	3,026	342.0p	311.0p	01/02/02	31/07/02
SAVE	2,090	-	-	-	2,090	330.0p	330.0p	01/02/03	31/07/03
	205,116	-	-	-	205,116				
Alan White	30,000	-	-	(30,000)	-	242.0p	323.0p		
Executive SAVE	2,059	-	-	(2,059)	-	167.5p	311.0p		
SAVE	1,564	-	(1,564)	-	-	374.0p			
SAVE	1,045	-	(1,045)	-	-	330.0p			
	34,668	-	(2,609)	(32,059)	-				

Total gains on the exercise of share options are as follows:

	2000 £'000	1999 £'000
Alan White	27	-

The mid-market price of the company's shares at 26th February 2000 was 802.5p [1999, 311p] and the range during the year was 287.5p to 805p.

Remuneration report

Long term incentives

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

	At 27th Feb 1999	Awarded in year	Lapsed in year	Exercised in year	At 26th Feb 2000	Market price at date of exercise	Date from which exercisable	Expiry date
Jim Martin	23,153	—	—	—	23,153	—	13/05/99	12/11/01
Basic	10,546	—	—	—	10,546	—	11/05/00	10/11/02
Basic	—	19,765	—	—	19,765	—	11/05/01	10/11/03
Basic	—	42,968	—	—	42,968	—	08/10/02	07/04/05
Enhanced	11,576	—	—	—	11,576	—	13/05/01	12/11/01
Enhanced	5,273	—	—	—	5,273	—	11/05/02	10/11/02
Enhanced	—	9,882	—	—	9,882	—	11/05/03	10/11/03
Enhanced	—	21,484	—	—	21,484	—	08/10/04	07/04/05
	50,548	94,099	—	—	144,647	—		
Alan White	15,065	—	—	—	—	323.0p		
Basic	6,187	—	—	—	—			
Enhanced	7,532	—	—	—	—			
Enhanced	3,093	—	—	—	—			
	31,877	—	—	—	—			

Shortly after the date of this report, Tim Kowalski is due to be awarded an allocation of shares in respect of the year ended 26th February 2000.

Interests

Directors' interests in shares of the company are as follows:

	At 26th February 2000 Ordinary shares (including SAYE) Options (including SAYE)	At 27th February 1999 Ordinary shares (including SAYE) Options (including SAYE)
Sir David Alliance CBE	47,832,852	47,832,852
Sir David Alliance CBE (non beneficial)	4,704,408 ¹	4,704,408 ²
Nigel Alliance OBE	17,401,964	18,501,964
Jim Martin	519,115	518,906
Tim Kowalski	—	—
Lawrence Ziman (non beneficial)	2,208,040 ¹	3,208,040 ²
Ivan Fallon	—	—
Robert Youngjohns	—	—

Duplicated holdings included above are 2,208,040¹ (1999), 3,208,040²

Together with other employees and former employees of the group, the executive directors are potential beneficiaries of the following trusts, and as such are deemed to have a beneficial interest in the following shares of the company held by these trusts:

	At 26th Feb 2000	At 27th Feb 1999
N Brown Group plc No 2 Employee Share Ownership Trust	431,386	541,132
N Brown Group Qualifying Employee Share Ownership Trust (QUEST)	—	—

There have been no changes in the above interests of the directors between the year end and 30th April 2000.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report

To the shareholders of N Brown Group plc

We have audited the accounts on pages 30 to 48 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 35 and 36. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors which form part of the remuneration report on pages 23 to 27.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on page 28, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 or the Listing Rules regarding directors' remuneration and transactions with the company and the group is not disclosed.

We review whether the corporate governance statement on pages 21 and 22 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

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

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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 26th February 2000 and of the group's profit 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 Auditors
Manchester
10th May 2000



Group profit and loss account

			Continuing operations 2000 €'000	Continuing operations 1999 €'000	Discontinued operations 1999 €'000	Total 1999 €'000
For the 52 weeks ended 24th February 2000	Note					
Turnover	2		354,733	324,302	3,538	327,840
Cost of sales			(156,115)	(145,742)	(2,142)	(147,884)
Gross profit			198,618	178,560	1,396	179,956
Distribution costs			(36,432)	(33,018)	—	(33,018)
Sales and administration expenses			(110,978)	(98,797)	(1,994)	(100,791)
Operating profit	2		51,208	46,745	(598)	46,147
Loss on disposal of discontinued operations	3		—	—	(14,702)	(14,702)
Profit on partial sale of subsidiary undertaking	4		3,802	—	—	—
Share of loss of associated undertakings			(132)	(72)	—	(172)
Income from listed investments			53	37	—	37
Interest payable	5		(3,564)	(3,488)	38	(3,450)
Profit on ordinary activities before taxation	6		51,367	43,222	(15,262)	27,960
Taxation on profit on ordinary activities	9		(14,366)	(13,514)	350	(13,164)
Profit on ordinary activities after taxation			37,001	29,708	(14,912)	14,796
Equity minority interests			115	—	—	—
Profit for the financial year	10		37,116	29,708	(14,912)	14,796
Dividends	11		(13,187)	(11,805)	—	(11,805)
Retained profit for the year	26		23,929	17,903	(14,912)	2,991
Earnings per share	12		25.69p	20.67p		10.29p
Adjusted earnings per share	12		23.06p	20.67p		10.29p
Diluted earnings per share	12		25.44p	20.53p		10.23p
Adjusted diluted earnings per share	12		22.83p	20.53p		10.23p

The notes on pages 35 to 48 form part of these accounts

Balance sheets

	As at 26th February 2000		Note	Group		Company	
	2000 £'000	1999 £'000		2000 £'000	1999 £'000		
Fixed assets:							
Intangible assets	2,885	181		—	—	—	—
Tangible assets	62,758	54,575		4	4	5	5
Investments	3,199	4,401		171,255	171,255	154,097	154,097
	68,842	59,157		171,259	171,259	154,102	154,102
Current assets:							
Stocks	35,467	33,328		—	—	—	—
Debtors	202,806	186,849		132	132	5,841	5,841
Investments	—	150		—	—	150	150
Cash at bank and in hand	5,083	4,472		—	—	—	—
	243,356	224,799		132	132	5,991	5,991
Creditors:							
Amounts falling due within one year	(88,471)	(96,318)		(80,928)	(80,928)	(88,402)	(88,402)
	154,885	128,481		(80,796)	(80,796)	(82,411)	(82,411)
Net current assets							
	223,727	187,638		90,463	90,463	71,691	71,691
Total assets less current liabilities							
	(47,941)	(36,866)		(40,000)	(40,000)	(28,000)	(28,000)
Creditors:							
Amounts falling due after more than one year	(3,253)	(2,270)		—	—	—	—
Provisions for liabilities and charges							
	172,533	148,502		50,463	50,463	43,691	43,691
Net assets							
	14,634	14,609		14,634	14,634	14,609	14,609
Capital and reserves:							
Called up share capital	18,714	17,699		18,714	18,714	17,699	17,699
Share premium account	1,511	1,548		98	98	102	102
Revaluation reserve	138,103	114,646		17,017	17,017	11,281	11,281
Profit and loss account	172,962	148,502		50,463	50,463	43,691	43,691
Equity shareholders' funds							
	(429)	—		—	—	—	—
Equity minority interests							
Capital employed	172,533	148,502		50,463	50,463	43,691	43,691

The accounts were approved by the board of directors on 10th May 2000 and signed on its behalf by

Jim Martin
Tim Kowalski
Directors



The notes on pages 35 to 48 form part of these accounts

Group cash flow statement

	2000 €'000	2000 €'000	1999 €'000
For the 52 weeks ended 26th February 2000			
		Note	
Net cash inflow from operating activities		a	37,465
Returns on investments and servicing of finance			43,271
Interest paid	(3,219)		(2,907)
Interest element of finance lease rental payments	(246)		(299)
Dividends received from investments	53		37
Net cash outflow from returns on investments and servicing of finance			(3,169)
Taxation			(14,080)
Corporation tax paid (including advance corporation tax)			(11,800)
Capital expenditure and financing activities			(14,174)
Purchase of tangible fixed assets	—		(11,679)
Purchase of intangible fixed assets	175		(181)
Sale of tangible fixed assets	757		198
Decrease in own shares held in trust			405
Net cash outflow from capital expenditure and financing activities			(13,242)
Acquisitions and disposals			(1866)
Purchase of subsidiary undertakings	71	d	—
Cash at bank and in hand acquired with subsidiary undertakings	—	d	4,250
Sale of subsidiary undertaking	—	d	385
Bank overdraft disposed with subsidiary undertaking	3,802	d	—
Partial sale of subsidiary undertaking	(9)		(515)
Purchase of investment in associated undertaking			
Net cash inflow from acquisitions and disposals			2,998
Equity dividends paid			(12,270)
Cash (outflow)/inflow before management of liquid resources and financing			(2,541)
Management of liquid resources			10,175
Purchase of current asset investments	(513)		(250)
Sale of current asset investments	1,021		—
Net cash inflow/outflow from management of liquid resources			508
Financing			(250)
Issue of ordinary shares	535		87
Increase in/(repayment of) bank loans	3,000		(13,000)
Capital element of finance lease rental payments	(858)		(750)
Cash inflow/(outflow) from financing			2,677
Increase/(decrease) in cash in the year		b	644
			(3,738)

The notes on page 33 form part of this statement

Notes to the group cash flow statement

a	Reconciliation of operating profit to net cash inflow from operating activities	Operating profit	2000	1999
			£'000	£'000
	(Increase)/decrease in stocks	51,208	46,147	
	Increase in debtors	(2,117)	3,892	
	Increase in creditors	(22,825)	(18,996)	
	Depreciation (net of profit on disposals)	1,283	5,071	
	Goodwill amortisation	10,158	7,157	
	Profit on sale of investments	116	—	
		(358)	—	
	Net cash inflow from operating activities	37,465	43,271	
b	Reconciliation of net cash flow to movement in net debt	2000	1999	
		£'000	£'000	
	Increase/(decrease) in cash in the year	644	(3,738)	
	Cash inflow/outflow from change in debt and lease financing	(2,142)	13,750	
	Changes in net debt resulting from cash flows	(1,498)	10,012	
	Inception of finance lease contracts	(25)	(367)	
	Movement in net debt in the year	(1,523)	9,645	
	Net debt at 27th February 1999	(43,529)	(53,174)	
	Net debt at 26th February 2000	(45,052)	(43,529)	
c	Analysis of net debt	1999	Cash flow	2000
		£'000	£'000	£'000
	Cash at bank and in hand	4,472	611	5,083
	Bank overdrafts	(844)	33	(811)
	Loan notes due within one year	(500)	—	(500)
	Bank loans due within one year	(9,000)	9,000	—
	Bank loans due after one year	(33,000)	(12,000)	(45,000)
	Finance leases	(4,657)	858	(3,824)
		(43,529)	(1,498)	(45,052)

d During the year, subsidiary undertakings with net liabilities of £2,000,000 were purchased with a total consideration of £866,000 which was fully satisfied by cash. In addition, the company sold 25% of the ordinary share capital of Zendor.com Limited for a net cash consideration of £3,802,000 as explained in note 4 on page 37. Last year the property and financial services businesses, with net assets of £1,057,000, were disposed of for a total consideration of £4,250,000 which was fully satisfied in cash. The effect of the acquisitions and disposals on the major headings of the group cash flow statement have not been disclosed as they are not considered to be significant.

Statement of group total recognised gains and losses			
For the 52 weeks ended 26th February 2000		2000	1999
		£'000	£'000
Profit for the financial year		37,116	14,796
Unrealised loss on trade investment		(4)	(680)
Total recognised gains relating to the year		37,112	14,116
Note of group historical cost profits and losses			
For the 52 weeks ended 26th February 2000		2000	1999
		£'000	£'000
Reported profit on ordinary activities before taxation		51,367	27,860
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		33	33
Historical cost profit on ordinary activities before taxation		51,400	27,993
Historical cost profit for the year retained after taxation, minority interests and dividends		23,962	3,024
Reconciliation of movements in group shareholders' funds			
For the 52 weeks ended 26th February 2000		2000	1999
		£'000	£'000
Profit for the financial year		37,116	14,796
Dividends		(13,187)	(11,805)
Other recognised gains and losses relating to the year		23,929	2,991
Goodwill written back on disposals		(4)	(680)
Issue of ordinary shares		—	17,895
		535	87
Equity shareholders' funds at 27th February 1999		24,460	20,293
Equity shareholders' funds at 26th February 2000		148,502	128,209
Equity shareholders' funds at 26th February 2000		172,962	148,502

Notes to the accounts

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 certain listed investments and certain freehold properties, and in accordance with applicable accounting standards.

b Accounting period

Throughout the accounts, the notes to the accounts and the directors' report and financial review, reference to 2000 means at 26th February 2000 or the 52 weeks then ended; reference to 1999 means at 27th February 1999 or the 52 weeks then ended.

c Basis of consolidation

The group accounts consolidate the accounts of the company, all of its subsidiary undertakings, the Employee Share Ownership Trust and the No.2 Employee Share Ownership Trust ('the employee trusts') which are made up to a date co-terminous with the financial period of the parent company. The results of subsidiaries acquired or disposed of are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method. 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 Tangible fixed assets

Land and buildings are stated at original cost or subsequent valuation, net of depreciation, as set out in note 14 on page 41. The group has adopted FRS 15 and has followed the transitional provisions to retain the book value of certain freehold properties which were revalued in 1994, but not to adopt a policy of revaluation in the future. Other fixed assets are stated at cost, net of depreciation. Computer software costs relating to major projects are capitalised. Assets held under finance leases are included in tangible fixed assets at a value equal to the original cost incurred by the lessor less depreciation, and obligations to the lessor are shown as part of creditors. The interest element is charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

f Depreciation

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

On freehold buildings	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	20% of cost.
On plant and machinery	between 5% and 20% of cost.
On all other tangible fixed assets	between 10% and 20% of cost.

g 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.

Notes to the accounts

1 Accounting policies continued

h 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. Purchased goodwill arising on acquisitions before 1st 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 fixed assets are capitalised and amortised through the profit and loss account on a straight line basis over the period which the group expects to derive economic benefit, which is currently five years.

i Investments

In the company accounts, investments in subsidiary undertakings are stated at cost. N Brown Group plc shares held by the employee trusts are stated at cost. Other 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 non-distributable.

In the group accounts, investments in associated undertakings are accounted for using the equity method. The group's share of the profits less losses is included in the group profit and loss account and the group's share of the net assets is included in the group balance sheet. Goodwill arising on the acquisition of associated undertakings is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associated undertakings.

j Operating lease rentals

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.

k 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.

l Taxation

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

m Treasury and foreign currency

The group uses financial instruments to hedge a portion of its interest and foreign currency exposure. Profits and losses on financial instruments are recognised in the profit and loss account as they arise. A more detailed description of the group's treasury policy is given in the financial review on page 14.

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 directly to the profit and loss account.

n 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

	Turnover		Operating profit	
	2000 €'000	1999 €'000	2000 €'000	1999 €'000
2 Analysis of turnover and operating profit				
Home shopping – continuing operations	354,733	324,302	51,957	47,345
Property and financial services – discontinued operations	—	3,538	—	(598)
Central administration costs	—	—	(1749)	(600)
	354,733	327,840	51,208	46,147
<p>All turnover and operating profit is generated from activities in the United Kingdom and the Republic of Ireland. The results of the acquisitions disclosed in note 15 have been consolidated into the group results from the date of acquisition. In the 52 weeks ending 26th February 2000 the acquisitions added £2,541,000 to turnover and reduced operating profits by £56,000. The acquisitions are not considered to be significant in relation to the requirements of the accounting standard FRCS.</p>				
3 Loss on disposal of discontinued operations				
<p>The loss on disposal of discontinued operations last year related to the disposal of the group's interest in its property and financial services businesses and is stated after charging £17,895,000 of goodwill previously written off to reserves on acquisition of these businesses. The surplus over net assets disposed of amounted to €3,193,000.</p>				
4 Profit on partial sale of subsidiary undertaking				
<p>In February 2000, the group entered into a strategic partnership with GE to develop Zendor.com Limited, the group's fulfilment service company launched in October 1999. As part of the agreement, a subsidiary of GE purchased 25% of the ordinary share capital of Zendor.com Limited for a net cash consideration of €3,802,000.</p>				
5 Interest payable				
Bank loans and overdrafts		2000 €'000	1999 €'000	
Finance charges payable under finance leases		3,283	3,001	
		230	284	
Share of associated undertakings' interest and similar charges		3,513	3,285	
		51	165	
		3,564	3,450	

Notes to the accounts

6 Profit on ordinary activities before taxation		2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation of owned assets	9,464	6,394	
Depreciation of assets held under finance leases	772	834	
Operating lease rentals – plant and machinery	5,418	4,166	
– other	810	1,016	
Year 2000 costs	—	3,042	
Release of VAT accrual	—	(3,669)	
Auditors' remuneration – audit fees	45	42	
– non audit related fees	132	107	
7 Directors' remuneration	2000 £'000	1999 £'000	
Aggregate emoluments	738	674	
Gains made on exercise of share options	27	—	
Company pension contributions to money purchase schemes	1	1	
	766	675	
A detailed analysis of directors' remuneration and interests is given in the remuneration report on pages 23 to 27			
8 Staff costs (including directors)	2000 £'000	1999 £'000	
Wages and salaries	47,399	42,306	
Social security costs	3,355	3,006	
Other pension costs	933	973	
	51,687	46,285	
The average number of full time equivalent staff employed by the group was:			
Distribution	Number	Number	
Sales and administration	1,639	1,629	
	1,787	1,784	
	3,426	3,413	

Notes to the accounts

9 Taxation on profit on ordinary activities		2000 £'000	1999 £'000
Corporation tax		13,792	12,935
Deferred taxation		983	229
Adjustments in respect of prior years		14,775	13,164
Corporation tax		(409)	—
		14,366	13,164

The overall tax charge has been reduced by the utilisation of capital losses in respect of the profit made on the partial sale of the subsidiary undertaking Zendor.com Limited.

10 Profit for the financial 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 £19,054,000 (1999, £11,907,000).

11 Dividends	2000		1999	
	Pence per share	£'000	Pence per share	£'000
Interim paid	2.70	3,916	2.40	3,452
Final proposed	6.40	9,271	5.80	8,353
	9.10	13,187	8.20	11,805

Dividends amounting to £131,000 (1999, £174,000) in respect of the shares held by the employee share ownership trusts have been deducted in arriving at the aggregate of dividends paid and proposed.

Notes to the accounts

12 Earnings per share

Basic earnings per share is calculated by reference to profit attributable to shareholders of £37,116,000 (1999, £14,796,000) divided by the weighted average number of shares in issue during the year, excluding those held by the employee share ownership trusts. For diluted earnings per share the weighted average number of shares has been adjusted for the potential dilution of outstanding share options. An adjusted earnings per share figure has been calculated in addition to the earnings per share required by FRS14, "Earnings per share" and is based on earnings excluding the effect of the profit on the partial sale of Zendor.com Limited of £3,802,000 (1999, £Nil). The weighted average number of shares in issue used in all earnings per share calculations are as follows:-

	2000	1999
Weighted average number ('000s)		
Ordinary shares in issue	146,212	146,052
Shares owned by employee share ownership trusts	(1,750)	(2,327)

Basic earnings per share denominator

Issuable on conversion of options	1,454	955
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Diluted earnings per share denominator

145,916 144,680

In order to provide a better understanding of the underlying profitability of the group, basic and diluted earnings per share for continuing operations have also been presented.

13 Intangible fixed assets

	Goodwill £'000	Customer database £'000	Group Total £'000
Cost:			
At 27th February 1999	—	181	181
Additions (see note 15)	2,820	—	2,820
At 26th February 2000	2,820	181	3,001
Amortisation:			
At 27th February 1999	—	—	—
Provided in year	80	36	116
At 26th February 2000	80	36	116
Net book value:			
At 26th February 2000	2,740	145	2,885
At 27th February 1999	—	181	181

The majority of goodwill arose on the acquisition of Teleview Direct Limited, details of which have been provided in note 15 on page 42.

Notes to the accounts

14 Tangible fixed assets	Freehold property £'000	Long leasehold property £'000	Group Plant, equipment and motor vehicles £'000	Total £'000	Company Plant, equipment and motor vehicles £'000
	15,863	121	71,863	87,847	91
	874	—	13,295	14,169	—
	—	—	5,814	5,814	—
	—	(12)	(779)	(791)	—
	16,737	109	90,193	107,039	91
	1,721	78	31,473	33,272	86
	423	2	9,811	10,236	1
	—	—	1,331	1,331	—
	—	(10)	(548)	(558)	—
	2,144	70	42,067	44,281	87
	14,593	39	48,126	62,758	4
	14,142	43	40,390	54,575	5

The cost of freehold property and plant, equipment and motor vehicles includes capitalised interest of £2,868,000 (1999, £2,868,000). The group has adopted FRS 15, 'Tangible Fixed Assets' and has followed the transitional provisions to retain the book value of freehold property, some of which was revalued in January 1994. This valuation of £2,450,000 by Lambert Smith Hampton, consultant surveyors, was on the basis of open market value assuming a continuation of existing use. The historical cost of these properties is shown below.

Historical cost	£'000
Depreciation	845 (265)
Net book value	580

The net book value of plant, equipment and motor vehicles above includes £2,949,000 (1999, £3,807,000) in respect of assets held under finance leases.

Notes to the accounts

15 Fixed asset investments	Group:	At 27th February 1999	At 26th February 2000	Listed investments	Own shares	Shares in associated undertakings	Total
	At 27th February 1999	At 26th February 2000	£'000				
	Group:						
	At 27th February 1999	555	551				
	Deficit on revaluation	(4)					
	Additions	—	—				
	Share of losses	181	—				
	Transfers and other movements	—	—				
	Disposals on exercise of share options	—	(937)				
	At 26th February 2000		551	2,248	400	400	3,199
	Company:						
	At 27th February 1999	555	551				
	Deficit on revaluation	(4)					
	Additions	—	—				
	Disposals	—	—				
	At 26th February 2000		551	2,248	400	170,704	171,255

The listed investments are quoted on the London Stock Exchange and their historical cost in the group and the company is £453,000 (1999), £453,000).

Shares in N Brown Group plc are held by the employee trusts for subsequent disposal to employees under the group's various option and long term incentive schemes.

During the year the employee trusts purchased 51,767 shares in the company on the open market at an average cost of £3.50 for a total consideration of £181,000. In addition, following the exercise of share options the employee trusts disposed of 624,573 shares in the company at an average share price of £1.50 for a total consideration of £938,000. At 26th February 2000 the employee trusts held 1,494,268 shares in the company (1999, 2,066,740). The market value of the shares at that date was £11,992,000 (1999, £6,428,000). No dividends have been waived by the employee trusts.

The associated undertaking at the year end was Synectics Solutions Limited, a company which operates in the United Kingdom and which is registered in England and Wales.

The movements on subsidiary undertakings during the year are as follows: In November 1999, the company acquired 55% of the issued share capital of Vote It Limited for consideration of £162,000 paid in cash. Further capital injections in N B Finance totalling £17,000,000 were made by the company during the year. In February 2000, the company sold 25% of the ordinary share capital of Zendor.com Limited for a net cash consideration of £3,802,000.

In April 1999, the group increased its holding in Teleview Direct Limited to 85% of the ordinary share capital for a consideration of £182,000 paid in cash. The fair value of net liabilities acquired was £2,194,000, resulting in goodwill of £2,315,000 after minority interests. In December 1999, the group acquired 100% of the issued share capital of Harris of Saltcoats Limited for a consideration of £522,000 paid in cash.

Details of the net assets of the subsidiaries acquired and disposed of during the year and fair value adjustments on acquisition have not been provided as they are not considered to be significant.

A list of principal subsidiary undertakings is shown in note 31 on page 48.

Notes to the accounts

16 Stocks	Finished goods			2000	1999
	Sundry stocks			€ 000	€ 000
				34,794	32,429
				673	892
				35,467	33,328
17 Debtors					
	Trade debtors	2000	1999	2000	1999
	Loans to associated undertakings	€ 000	€ 000	€ 000	€ 000
	Prepayments and accrued income	184,890	165,045	—	—
	Other debtors	—	5,667	—	5,667
		17,471	15,067	85	132
		445	1,070	47	42
		202,806	186,849	132	5,841
18 Current asset investments					
	Investments listed in the United Kingdom	2000	1999	2000	1999
		€ 000	€ 000	€ 000	€ 000
		—	150	—	150
19 Creditors: amounts falling due within one year					
	Bank loans and overdrafts	2000	1999	2000	1999
	Loan notes	€ 000	€ 000	€ 000	€ 000
	Obligations under finance leases	811	9,844	41,721	33,051
	Trade creditors	500	500	—	—
	Amounts owed to subsidiary undertakings	883	791	—	—
	Current taxation	25,578	25,923	147	130
	Social security and other taxes	—	—	29,149	46,330
	Other creditors	13,544	14,215	—	—
	Accruals and deferred income	12,495	13,059	—	—
	Proposed dividends	2,675	777	—	—
		22,715	22,856	546	418
		9,270	8,353	9,365	8,473
		88,471	96,318	80,928	88,402

Notes to the accounts

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
20 Creditors: amounts falling due after more than one year				
Bank loans repayable between one and two years	40,000	28,000	40,000	28,000
Bank loans repayable between two and five years	5,000	5,000	—	—
Obligations under finance leases repayable between one and two years	747	880	—	—
Obligations under finance leases repayable between two and five years	1,624	1,876	—	—
Obligations under finance leases repayable after more than five years	570	1,110	—	—
	47,941	36,866	40,000	28,000
21 Maturity of borrowings and facilities				
The maturity of the group's borrowings is as follows:				
Within one year			2,194	11,135
Between one and two years			40,747	28,880
Between two and five years			6,524	6,876
Over five years			570	1,110
			50,135	48,001
The group had the following undrawn committed borrowing facilities:				
Expiring between one and two years			45,000	57,000
Expiring between two and five years			—	—
			45,000	57,000
In addition, there are uncommitted facilities available to the group subject to annual review.				

Notes to the accounts

22 Currency and interest rate analysis of net borrowings	Gross borrowings	Floating borrowings	Fixed borrowings	Weighted average interest rate on fixed borrowings %	Weighted average time for which rate is fixed Years
As at 26th February 2000					
Sterling gross borrowings	(50,135)	(31,311)	(18,824)	7.0	3.1
Sterling cash at bank and in hand	5,083	5,083	—		
Net borrowings	(45,052)	(26,228)	(18,824)		
As at 27th February 1999					
Sterling gross borrowings	(48,001)	(19,938)	(28,063)	6.7	3.2
Sterling cash at bank and in hand	4,472	4,472	—		
Net borrowings	(43,529)	(15,466)	(28,063)		

Fixed rate borrowings take into account the various interest rate swaps entered into by the group. The interest rates on floating rate borrowings are based upon bank base rates and LIBOR, fixed for periods of up to six months.

23 Financial assets and liabilities	Book values 2000 £ 000	Fair values 2000 £ 000	Book values 1999 £ 000	Fair values 1999 £ 000
The group held the following financial instruments by category:				
Cash at bank and in hand	5,083	5,083	4,472	4,472
Short term borrowings	(2,194)	(2,194)	(11,135)	(11,135)
Bank loans and other borrowings falling due after more than one year	(47,941)	(47,941)	(36,866)	(36,866)
Interest rate swaps	—	(104)	—	(852)
Forward foreign currency contracts	—	52	—	133
	(45,052)	(45,104)	(43,529)	(44,248)

The fair values have been calculated by reference to either market values or prevailing interest and exchange rates.

The group has taken advantage of the exemption to exclude short term debtors and creditors from the above disclosure. No further disclosure in respect of gains and losses on hedging has been provided as it is not considered to be significant.

The group's policy on derivatives and financial instruments are set out in the Financial Review on page 14.

Notes to the accounts

24 Provisions for liabilities and charges

Deferred taxation:
At 27th February 1999
Charged during the year
At 26th February 2000

The amounts of provided and unprovided deferred taxation are as follows:

	2000	1999	2000	1999
Accelerated capital allowances	£'000	£'000	£'000	£'000
Sundry timing differences	3,503	2,729	1,816	1,816
	(250)	(459)	—	—
	3,253	2,270	1,816	1,816

After taking into account capital losses held by the group there would be no tax liability this or last year if the listed investments and revalued properties were disposed of at their balance sheet value.

	2000	2000	1999	1999
25 Share capital	£'000	£'000	£'000	£'000
Ordinary shares of 10p each:	19,500	14,634	19,500	14,609

During the year 249,300 ordinary shares were issued to N Brown Group Quest Trustee Limited for a consideration of £1,042,000.

These shares were transferred to participants of the savings related share option scheme who exercised their options during the year.

At 26th February 2000 options/awards granted for N Brown Group plc ordinary shares not exercised are as follows:

Option scheme	Exercise dates	Option price per share	Number of shares
1990 Savings related scheme	February 1999 – August 2005	167.5p – 385p	1,590,772
1990 Executive scheme	June 1994 – October 2009	115.5p – 426p	682,500
Unapproved executive schemes	June 2000 – October 2009	1p – 384p	226,200
Staff retention plan	May 2000	—	274,550
Long term incentive scheme awards	Exercise dates	Award price per share	Number of shares
May 1997	May 1999 – November 2001	—	169,614
May 1998	May 2000 – November 2002	—	83,074
May 1999	May 2001 – November 2003	—	209,775
July 1999	July 2002 – January 2005	—	463,704
October 1999	October 2002 – April 2005	—	64,452

Notes to the accounts

30 Other statutory information

At no time during the 52 weeks ended 26th February 2000 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.

31 Principal subsidiary undertakings

Company	Principal activity	Country of incorporation and operation	Proportion held by parent company (%)	Proportion held by the group (%)
J D Williams & Co. Limited	Direct home shopping by catalogue	England	75	100
Zendor.com Limited	Home shopping fulfilment services	England		100
Oxendale & Co. Limited	Direct home shopping by catalogue	Republic of Ireland		100
N B Finance	Financing and ancillary services	Republic of Ireland		100
Teleview Direct Limited	Direct TV and video rental	England		85

All other subsidiary undertakings operate within the United Kingdom and are registered in England and Wales or Scotland. Segmental information has not been given other than as disclosed in note 2 on page 37 due to the immaterial size of the property and financial services division in respect of the requirements of SSAP25.

32 Pensions

The group operates a defined benefit scheme, the N Brown Group 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 1997 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 increase and 5% higher than the rate at which present and future pensions would increase. The next actuarial valuation is due to take place as at 30th June 2000.

At 30th June 1997 the market value of the assets of the scheme was £14,679,000 and the actuarial value of these assets represented 103.5% 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 cost to be 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 £933,000 (1999, £973,000).

Shareholder information

Financial timetable

	1999	2000
Announcement of interim results	7th October	
Closing of register for interim dividend	19th November	
Payment of interim dividend	21st December	
Financial year end	26th February	
Preliminary announcement of annual results	10th May	
Publication of 2000 annual report and accounts	31st May	
Closing of register for final dividend	23rd June	
Annual general meeting	5th July	
Payment of final dividend	21st July	

Registered office

53 Dale Street
Manchester
M60 6ES
Registered No. 814103
Telephone 0161 236 8256

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone 020 8639 2000

Stockbrokers

CSFB de Zoete & Bevan Ltd
1 Cabot Square
London
E14 4QJ

Bankers

HSBC Bank plc
The Royal Bank of Scotland plc
Girobank plc
National Westminster Bank plc
Barclays Bank plc
Yorkshire Bank plc

Solicitors

Adleshaw Booth & Co
Halliwell Landau
Lawson Coppock & Hart
Allen & Overy

Auditors

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

Shareholder benefits

Subject to certain conditions, shareholders are entitled to a 20% privilege discount off the selling price of consumer merchandise in any of the group catalogues. Shareholders interested in these facilities should write for further information to The Company Secretary, N Brown Group plc, 53 Dale Street, Manchester M60 6ES stating the number of shares held and the catalogue or product of interest.

Capital gains tax

For the purpose of capital gains tax, the value of the company's ordinary shares of 10p each was 12.8125p per share on 31st March 1982 and 2.65625p on 6th April 1965.