



**Company**

**Watch** tracking corporate financial health

August 2006

## N Brown Group Plc

### “N Brown turns to Television

N Brown, the Mail-order shopping group, has signed a deal with Ideal Shopping Direct, the UK’s third-biggest TV shopping channel, to produce a series of pilot shopping shows.”

Financial Times, London, 7 August 2006



what the **Company Watch** model says

# company in the news



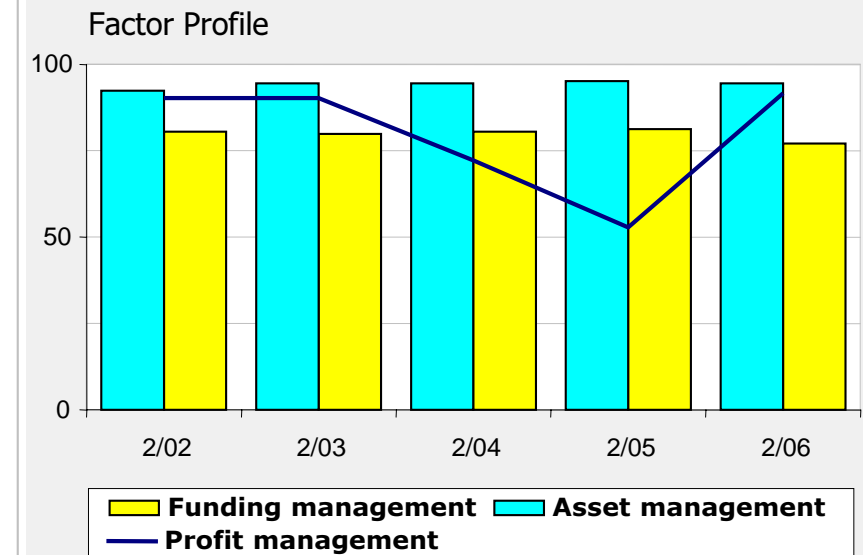
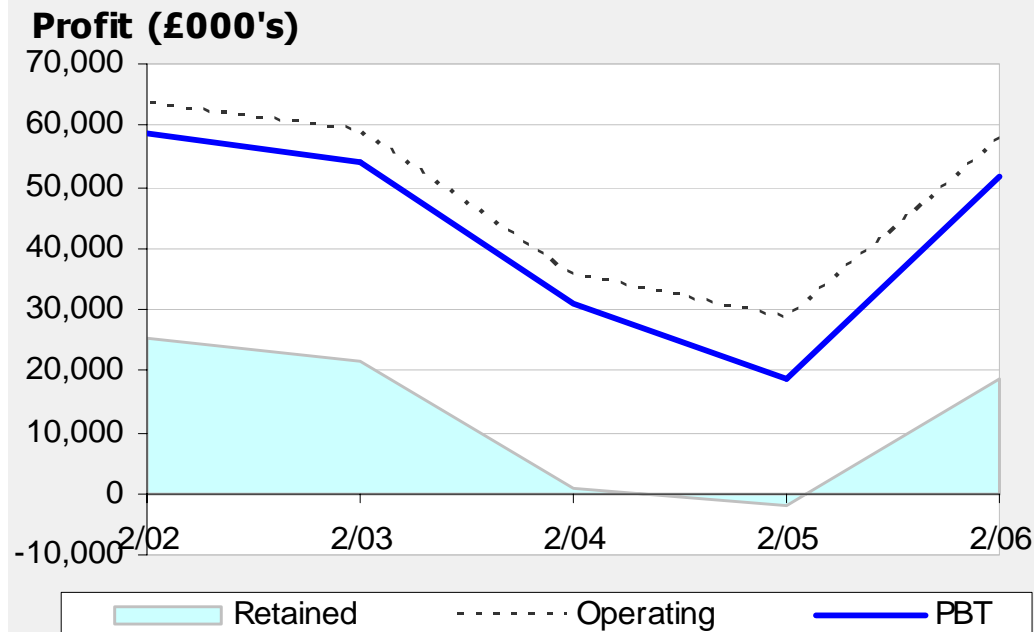
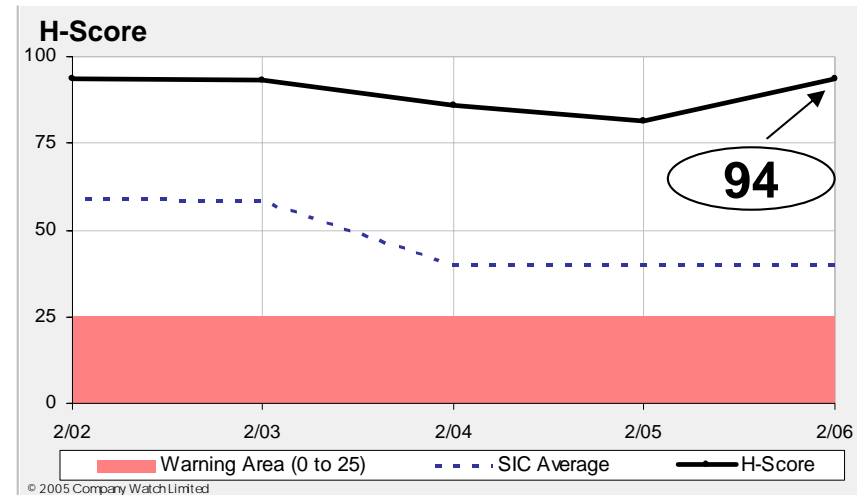
## Company Watch

tracking corporate financial health

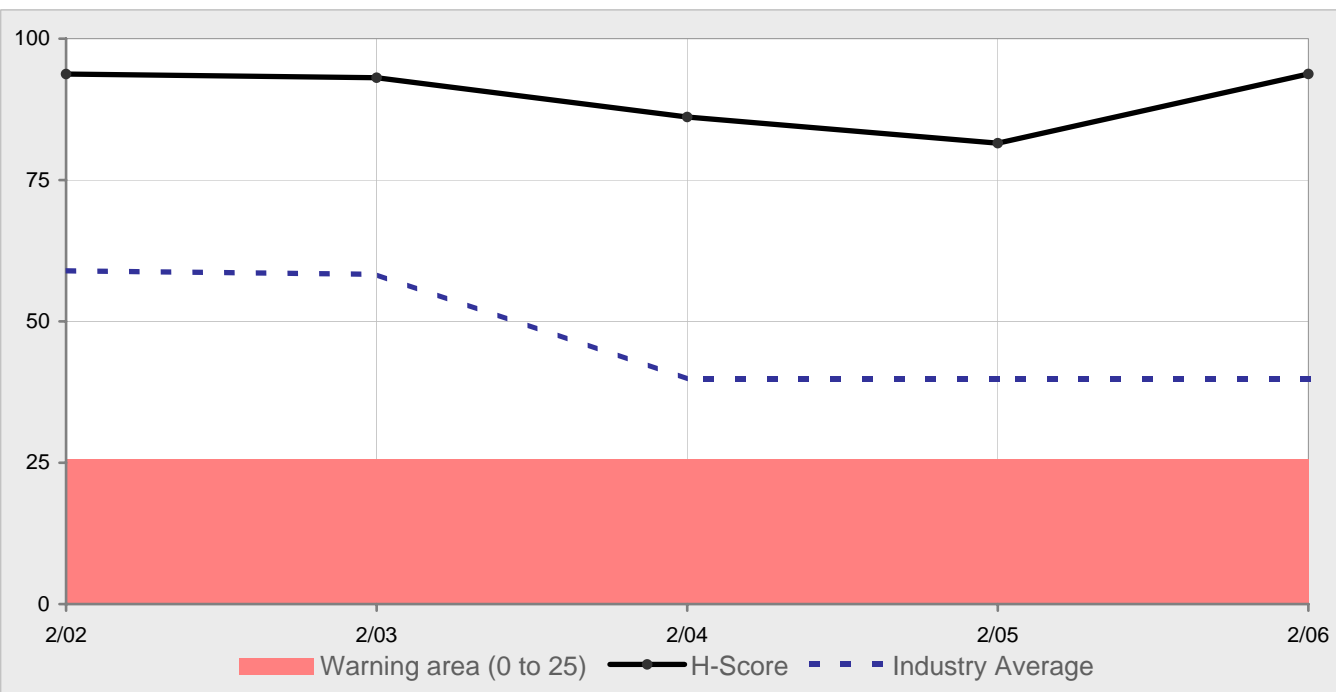
### Comment

The improvement in profits in 2005/06, coupled with a healthy balance sheet, have given this company considerable financial strength.

The H-Score of 94 places N Brown in the top 6% of all UK companies.



Health Profile - H-Score<sup>®</sup>



H-Score<sup>®</sup>: 94

The **H-Score** is the overall measure of the company's financial health. Companies in the Warning Area may be vulnerable and should be viewed with care. As long as any company remains outside the Warning Area, it has a low likelihood of failure. For further information please see Appendix 2 (page 9).

Industry Average: **40** The Industry Average is the average H-Score of companies in the same Industry sector.

	2/02	2/03	2/04	2/05	2/06
H-Score	94	93	86	82	94
Industry Average	59	58	40	40	40

Financial Summary

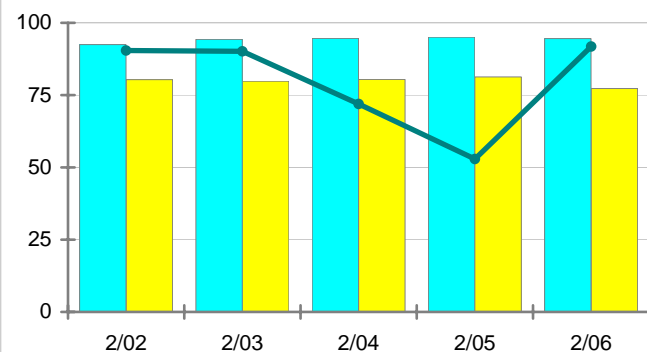
Currency: GBP'000s

(See pages 5 to 7)

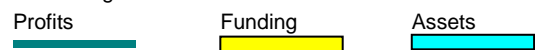
Period	Sales	Earnings before tax	Total assets	Net worth
02/06	484,800	51,800	523,700	246,000
02/05	460,300	18,600	502,300	243,300
02/04	470,500	31,000	512,600	246,600
02/03	457,327	54,077	484,059	245,425
02/02	449,002	58,477	418,974	220,483

Comments

Factor Profile - Fundamentals

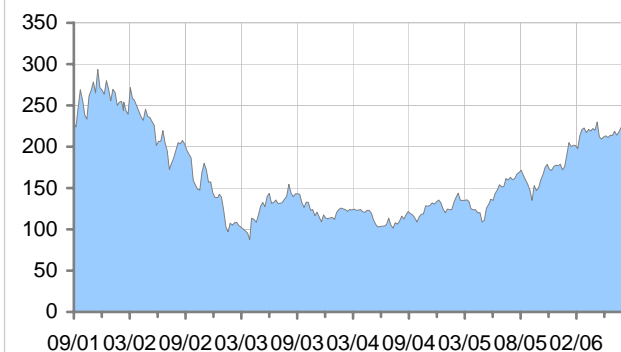


The contribution to the Financial Health from the strength of the management of:



For further information please see Appendix 3 (page 10)

Equity Profile - Market view

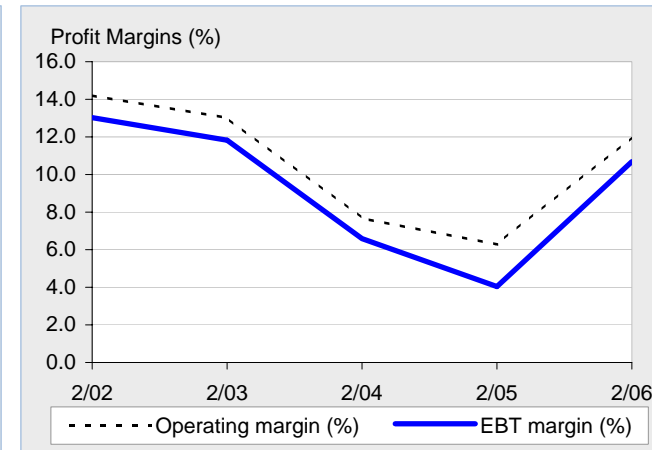
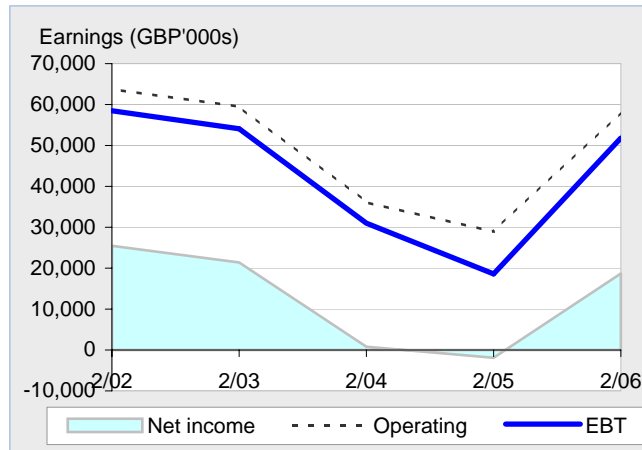
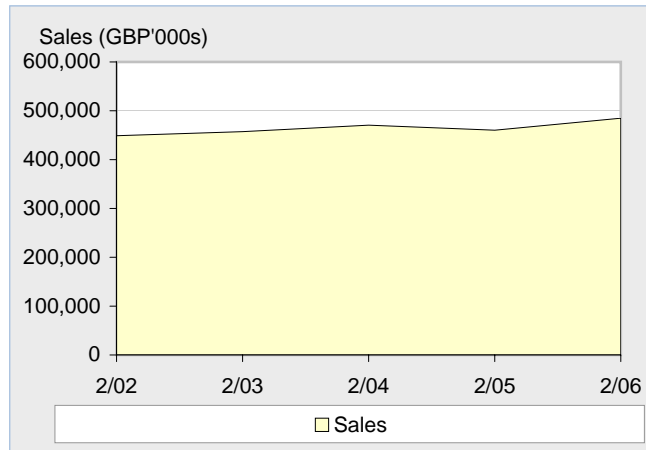


Data as at: 04 Aug 2006 (GBP)

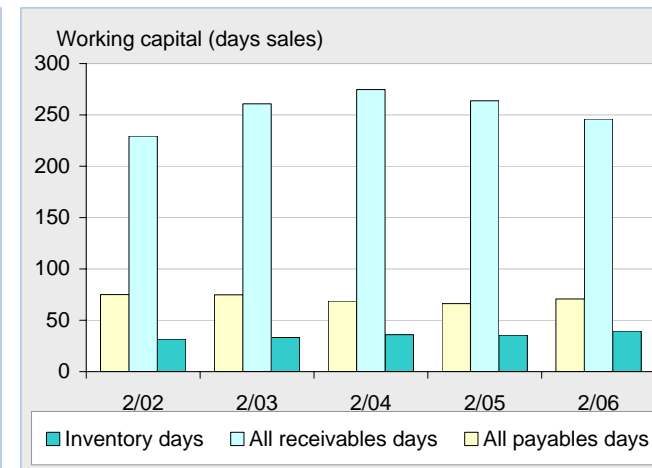
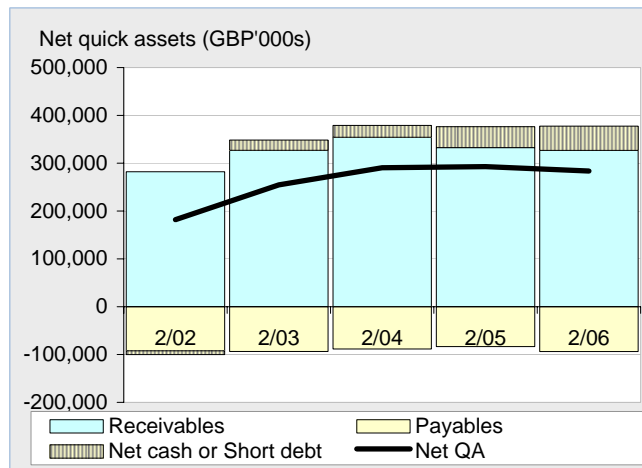
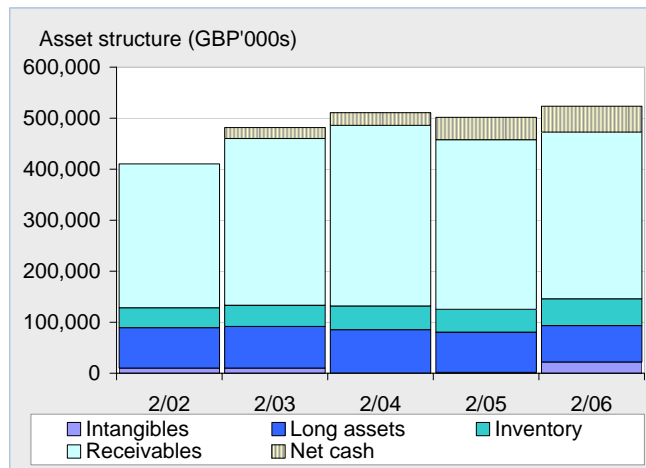
Stock Price (p)	52 Week High (p)	52 Week Low (p)	PE Ratio	Market Cap. (m)
218	232	133	17.78	643.0

(p = pence)

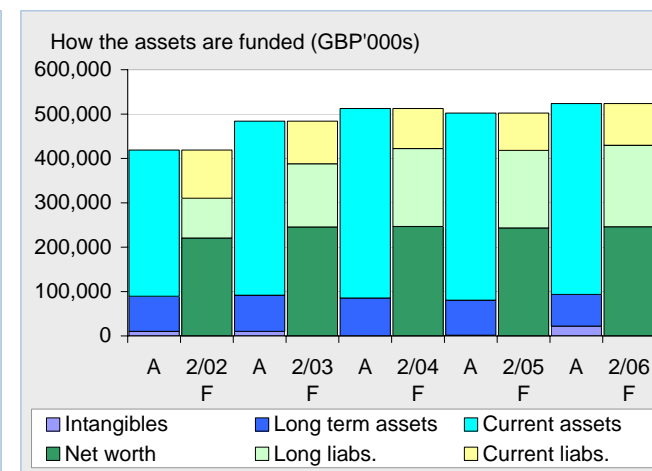
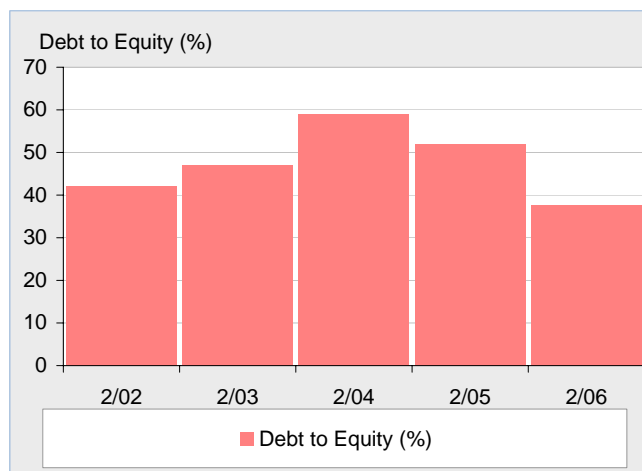
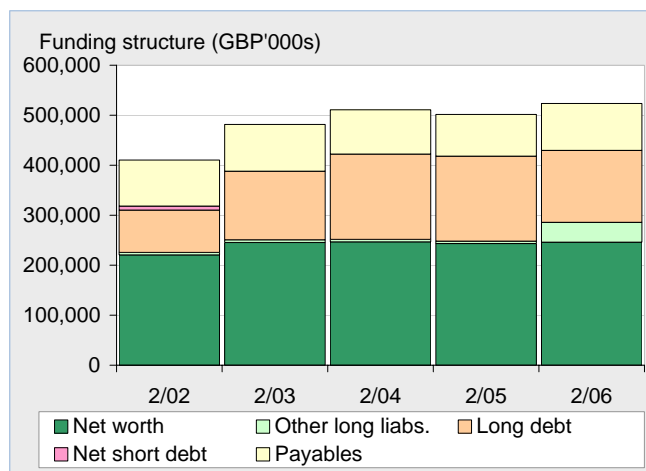
Income



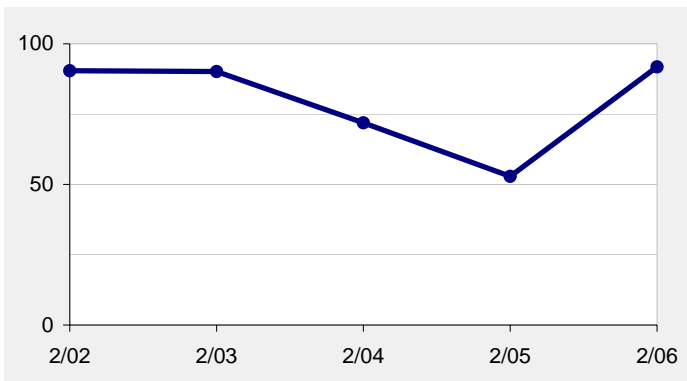
Assets



Funding



**PROFIT MANAGEMENT - 1. Profitability**



**Factor Description**

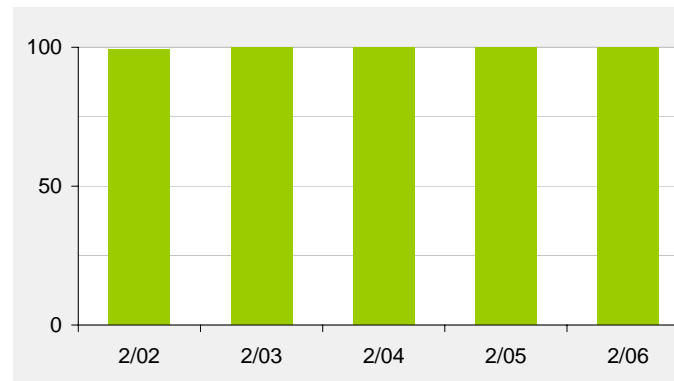
The Profit Management factor measures the contribution that profits are making towards minimising immediate financial risk.

(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		90	90	72	53	92
Earnings before tax -1 (H)		58,477	54,077	31,000	18,600	51,800
Current liabilities - 2 (L)		100,268	93,693	88,600	83,500	94,000

- (1) In cases where the financial year is shorter or longer than 12 months EBT has been annualised
- (2) Cash (incl. Marketable securities) & Debt due within 1 year are netted off

**ASSET MANAGEMENT - 2. Liquidity**



**Factor Description**

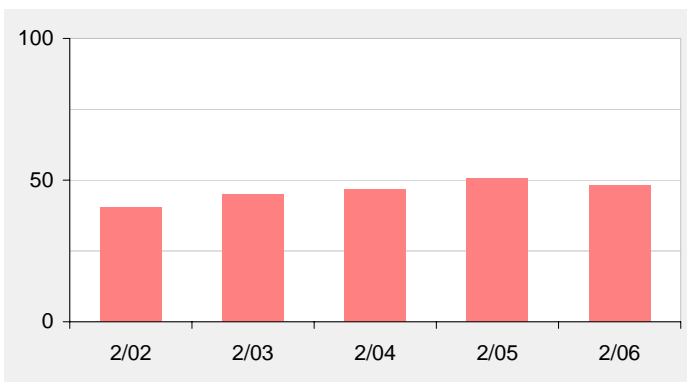
The Liquidity Factor is a measure of: The adequacy of the Quick Assets (Cash & Receivables) taking into account the immediate demand on them from the Current liabilities (Payables & Short term debt) and the ongoing Expenses of the business.

(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		99	100	100	100	100
Quick assets -1 (H)		282,166	348,437	379,100	376,400	377,600
Current liabilities -2 (L)		100,268	93,693	88,600	83,500	94,000
Expenses - 3, 4 (L)		390,525	403,250	439,500	441,700	433,000

- (1) Receivables & cash (cash (incl. Marketable securities) & debt due within 1 year are netted off)
- (2) Cash (incl. Marketable securities) & Debt due within 1 year are netted off
- (3) Sales less Earnings before tax
- (4) In cases where the financial year is shorter or longer than 12 months Expenses have been annualised

**3. Inventory & Receivables Management**



**Factor Description**

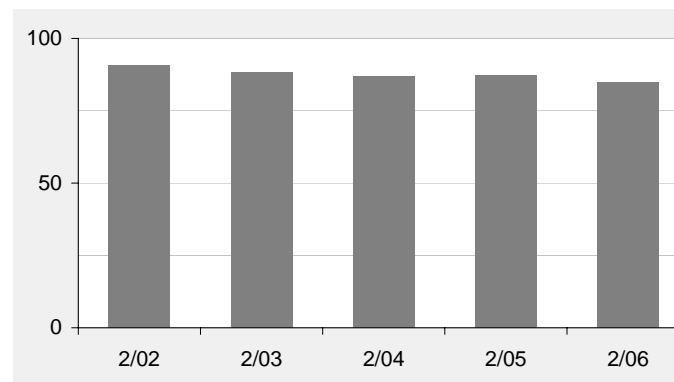
The Inventory & Receivables Management factor measures the degree to which the investment in working capital is supported by long term funding (net of intangibles)

(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		40	45	47	51	48
Inventory (L)		38,960	41,678	46,400	44,800	52,500
Receivables (L)		282,166	326,805	354,100	332,600	326,700
Long term funding -1 (H)		300,052	377,924	422,200	416,600	407,500

- (1) Net worth (after netting off Intangibles) + Long term liabilities

**4. Current Asset Cover**



**Factor Description**

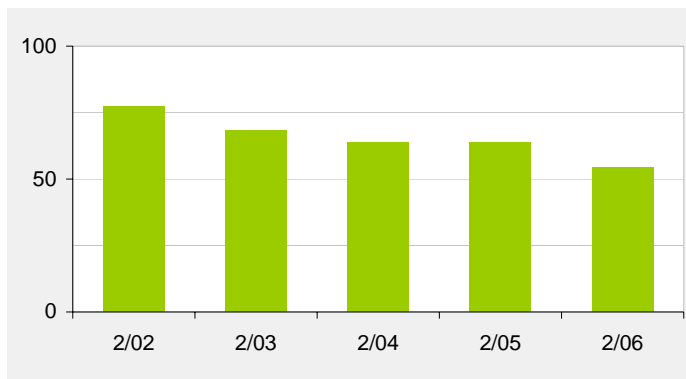
The Current Asset Cover Factor measures the cover available from the Current assets (Inventory, Receivables & Cash) to meet the short- and long-term liabilities of the company

(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		91	88	87	87	85
Current assets - 1 (H)		321,126	390,115	425,500	421,200	430,100
Total liabilities -1 (L)		189,933	236,220	264,200	258,300	277,500

- (1) Cash (incl. Marketable securities) & Debt due within 1 year are netted off

FUNDING MANAGEMENT - 5. Equity Base



Factor Description

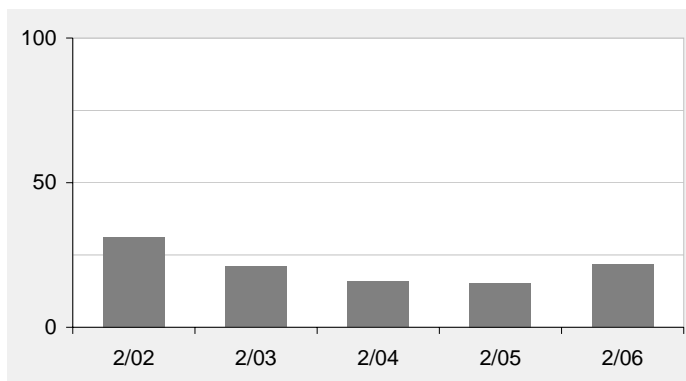
The Equity Base Factor measures the adequacy of the company's capital base. It compares the Net worth to all its liabilities (including, but not restricted to, its borrowing).

(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		77	68	64	64	55
Total Liabilities - 1	(L)	189,933	236,220	264,200	258,300	277,500
Net Worth - 2	(H)	210,387	235,397	246,600	241,800	224,000

(1) Cash (incl. Marketable securities) and Debt due within 1 year are netted off  
(2) Net of Intangibles

7. Debt Dependency



Factor Description

The Debt Dependency Factor measures the degree to which the company is dependent on debt for its funding. The higher the reliance on external bank debt, the worse.

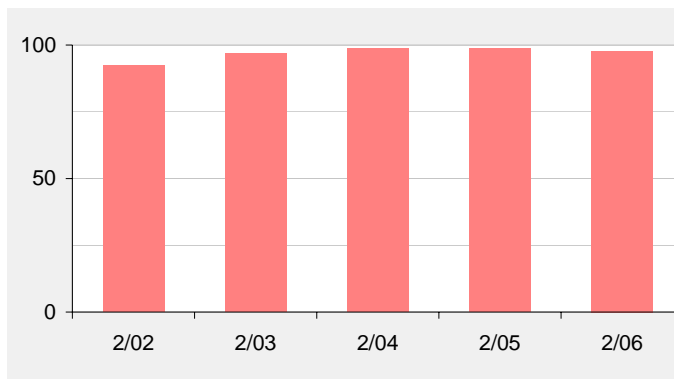
(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		31	21	16	15	22
Short term debt - 1	(L)	7,977	0	0	0	0
Long term debt	(L)	84,656	137,110	170,600	170,000	143,800
Total debt	(L)	92,633	137,110	170,600	170,000	143,800
Total tang. assets -1	(H)	400,320	471,617	510,800	500,100	501,500

(1) Debt due within 1 year (net of Cash and Marketable securities)  
(2) Total tangible assets after netting off Short-term debt (due within 1 year) with Cash & Marketable securities

6. Current Funding

Currency: GBP'000s



Factor Description

The Current Funding Factor measures the degree to which the Total tangible assets are funded out of Short-term liabilities. The greater the reliance on Short-term funding, the worse.

(H) : the higher the better;  
(L) : the lower the better

Period		02/02	02/03	02/04	02/05	02/06
Factor Score		92	97	99	99	98
Current Liabilities - 1	(L)	100,268	93,693	88,600	83,500	94,000
Total tang. assets -1	(H)	400,320	471,617	510,800	500,100	501,500

(1) Cash (incl. Marketable securities) and Debt due within 1 year are netted off

Comment

The H-Score model initially reviews any company from seven points of view (the seven fundamental Factors) simultaneously in order to obtain a comprehensive evaluation of its financial health. This measures the strength of the company's fundamentals.

The **power** that each Factor has, to materially affect the H-Score will vary from company to company depending on the nature of the company's financial structure.

**For further information please see the Appendix**

## Income Statement

GBP'000s

	2/06	2/05	2/04	2/03	2/02
Months in period	12	12	12	12	12
Sales	484,800	460,300	470,500	457,327	449,002
Cost of sales	-214,400	-235,500	-227,400	-206,535	-199,316
<b>Gross profit</b>	<b>270,400</b>	<b>224,800</b>	<b>243,100</b>	<b>250,792</b>	<b>249,686</b>
Other operating income/costs	-212,300	-195,900	-207,000	-191,286	-185,923
<b>Operating profit</b>	<b>58,100</b>	<b>28,900</b>	<b>36,100</b>	<b>59,506</b>	<b>63,763</b>
Special items	0	-300	1,000	0	-28
Interest & other income	4,500	-300	900	346	44
Interest paid	-10,800	-9,700	-7,000	-5,775	-5,302
<b>Earnings before tax</b>	<b>51,800</b>	<b>18,600</b>	<b>31,000</b>	<b>54,077</b>	<b>58,477</b>
Tax	-14,800	-3,300	-12,600	-15,412	-16,790
<b>Earnings after tax</b>	<b>37,000</b>	<b>15,300</b>	<b>18,400</b>	<b>38,665</b>	<b>41,687</b>
Other	-18,300	-17,200	-17,600	-17,264	-16,222
<b>Net income</b>	<b>18,700</b>	<b>-1,900</b>	<b>800</b>	<b>21,401</b>	<b>25,465</b>
No. of employees (heads)	3,717	4,430	4,190	3,822	3,512

## Cash flow statement

GBP'000s

	2/06	2/05	2/04	2/03	2/02
Months in period	12	12	12	12	12
Operating activities	71,300	66,500	29,400	30,932	37,644
Investing activities	-14,300	-15,600	-30,000	-20,120	-21,308
Financing activities	-50,400	-32,100	3,500	3,808	-11,896
Other	0	0	0	0	0
<b>Net change in cash</b>	<b>6,600</b>	<b>18,800</b>	<b>2,900</b>	<b>14,620</b>	<b>4,440</b>

## Balance Sheet

GBP'000s

	2/06	2/05	2/04	2/03	2/02
Months in period	12	12	12	12	12
Cash and equivalent	51,100	44,500	26,800	24,046	8,558
Marketable securities	0	0	0	0	0
Accounts receivable	310,400	308,000	327,300	304,982	261,351
Other current receivables	16,300	24,600	26,800	21,823	20,815
Inventory	52,500	44,800	46,400	41,678	38,960
Other non-liquid assets	0	0	0	0	0
<b>Current assets</b>	<b>430,300</b>	<b>421,900</b>	<b>427,300</b>	<b>392,529</b>	<b>329,684</b>
Intangible assets	22,000	1,500	0	10,028	10,096
Property, plant & equipment	61,000	78,800	83,000	77,599	76,324
Other long term assets	10,400	100	2,300	3,903	2,870
<b>Total long term assets</b>	<b>93,400</b>	<b>80,400</b>	<b>85,300</b>	<b>91,530</b>	<b>89,290</b>
<b>Total assets</b>	<b>523,700</b>	<b>502,300</b>	<b>512,600</b>	<b>484,059</b>	<b>418,974</b>
Debt - due within 1 year	200	700	1,800	2,414	16,535
Accounts payable	38,900	34,200	24,200	23,485	25,265
Other current payables	55,100	49,300	64,400	70,208	67,026
<b>Current liabilities</b>	<b>94,200</b>	<b>84,200</b>	<b>90,400</b>	<b>96,107</b>	<b>108,826</b>
Long term debt	143,800	170,000	170,600	137,110	84,656
Other long liabilities	39,700	4,800	5,000	5,417	5,009
<b>Long term liabilities</b>	<b>183,500</b>	<b>174,800</b>	<b>175,600</b>	<b>142,527</b>	<b>89,665</b>
Minority interest	0	0	0	-572	-995
Shareholders' equity	246,000	243,300	246,600	245,997	221,478
<b>Net worth</b>	<b>246,000</b>	<b>243,300</b>	<b>246,600</b>	<b>245,425</b>	<b>220,483</b>
<b>Total liabilities &amp; Net worth</b>	<b>523,700</b>	<b>502,300</b>	<b>512,600</b>	<b>484,059</b>	<b>418,974</b>

## Financial ratios

<b>Profitability</b>	<b>2/06</b>	<b>2/05</b>	<b>2/04</b>	<b>2/03</b>	<b>2/02</b>
Operating margin (%)	12.0	6.3	7.7	13.0	14.2
EBT margin (%)	10.7	4.0	6.6	11.8	13.0
Return on net worth (%)	21.1	7.6	12.6	22.0	26.5
Return on assets (%)	12.0	5.6	7.4	12.4	15.2
Interest cover	5.8	2.9	5.3	10.4	12.0
Tax rate (%)	28.6	17.7	40.6	28.5	28.7

**Trading/Funding**

Sales:Tangible long assets	7.9	5.8	5.7	5.9	5.9
Sales:Net worth	2.0	1.9	1.9	1.9	2.0
Debt to Equity (%)	37.8	51.9	59.0	47.1	42.0

**Liquidity**

Current ratio	4.6	5.0	4.7	4.1	3.0
Acid test ratio	4.0	4.5	4.2	3.7	2.7

**Working capital:sales**

Inventory days	39.5	35.5	36.0	33.3	31.7
Accounts receivable days	233.7	244.2	253.9	243.4	212.5
All other receivables days	12.3	19.5	20.8	17.4	16.9
Accounts payable days	29.3	27.1	18.8	18.7	20.5
All other payables days	41.5	39.1	50.0	56.0	54.5

**Staff** GBP'000s

Sales per head	130.4	103.9	112.3	119.7	127.8
Earnings before tax per head	13.9	4.2	7.4	14.1	16.7

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3. The 7 Factors explained

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## Corporate Information

**Last Update:** 08 August 2006

**Industry:** Retail sale via mail order houses

**Address:** Griffin House  
40 Lever Street  
Manchester

**Accounting  
Currency:** GBP

**Market  
Cap (m):** 643.0

**Country of  
Incorporation:** United Kingdom

**Exchange:** London Main

**Symbol:** BWNG

### Activity

Direct home shopping retailer, fulfilment and financial services company with a range of products including clothing, footwear, household and electrical goods.

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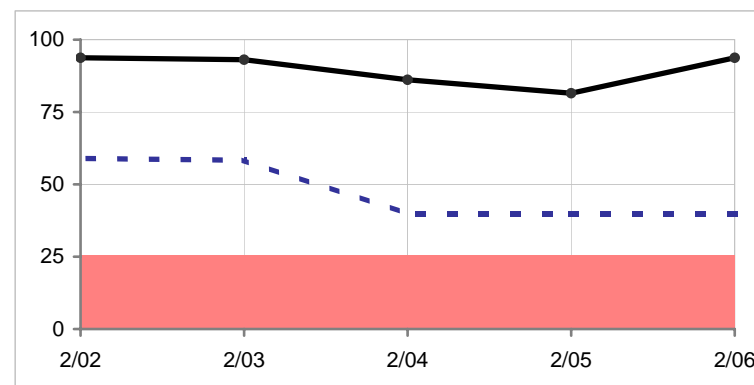
1. Corporate Information

**2. The H-Score explained**

3. The 7 Factors explained

APPENDIX

## The H-Score Explained



The H-Score is a measure of the financial health of a company. It is based on a statistical evaluation of a company's publicly available financial results, an evaluation that reviews a company from seven different points of view simultaneously in order to determine its overall financial health.

Displayed graphically over several years, it is a ranking of all companies on a scale of 0 (worst) to 100 (best). Companies in the Warning Area (H-Score of 25 or less) share the characteristics of companies that subsequently failed and may be vulnerable. It is rare for companies to fail or experience major distress as long as their H-Score remains outside the Warning Area.

Historically 1 in 4 companies in the Warning Area have either failed or had a major financial reconstruction within 3 years. Companies in the Warning Area will include:

- Companies that have one or more serious weaknesses and would be better off correcting them. This describes the majority of companies in the Warning Area.
- Companies temporarily weakened by a major event. (e.g. Major acquisition financed short term.) In many cases such companies are able to trade themselves out of such a position in a reasonably short time. However, it is important to recognise the existence of such an issue when it does arise, because it could turn into a serious weakness if not addressed.
- Companies that have a proven ability to run their business successfully from an inherently weak Balance Sheet position (e.g. Companies with a proven history of profitable sales growth but accompanied by negative tangible net worth and high levels of debt). Such companies are usually rather more dependent on their continuing sales growth and profitability in order to retain the confidence of their suppliers, lenders and investors.

The dotted line on the graph represents the average H-Score for companies with the same primary SIC code in three sizes (small, medium, large). It is not shown when the total number of companies is less than 4.

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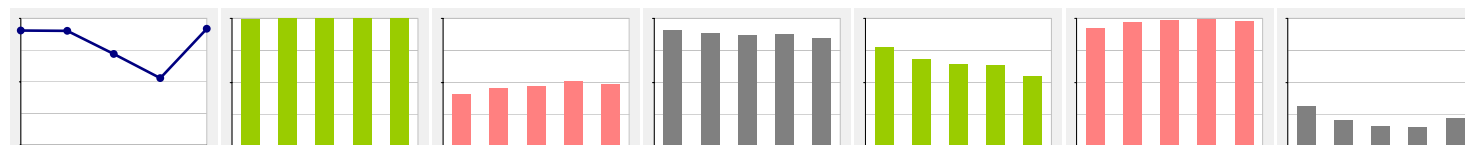
1. Corporate Information

2. The H-Score explained

**3. The 7 Factors explained**

APPENDIX

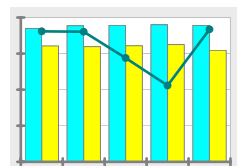
# The 7 Factors Explained



## Strengths and Weaknesses

The H-Score model reviews the fundamentals of each company from seven points of view in order to determine a comprehensive evaluation of its financial health. The 7 Factor Graphs direct your attention to the strengths and weaknesses that the model has detected. The figures below each graph provide the explanation. Not every company should be expected to be strong on all 7 factors. For example, property companies will be weak on “Current Asset Cover”. Food Retailers will have a poor “Liquidity Factor” because they will have received the cash for goods that they have yet to pay to their suppliers. Both examples are normal for such companies. So long as they compensate for that in other ways, that is not a problem. The model looks at the company as a whole and the result is reflected in the H-Score. The individual factors provide the explanation of the reasons why.

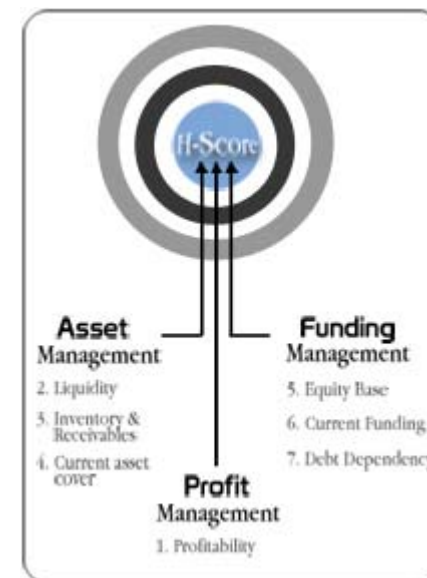
## The Factor Profile



This summarises the 7 factors into a single graph and is the first level of drill-down which begins to explain where the company’s strengths and weaknesses lie and how they have changed over the past five years.

The Factor Profile is designed to act as a “signpost”, directing attention to where to look. The seven factors are summarised into three groups showing the contribution to the company’s financial health from:

1. The Profits
2. The strength of the financial management of its assets (liquidity, working capital etc.)
3. The strength of the funding (equity base, debt dependency, current funding)





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