

Key Points 1995/96

Group has returned to overall profit following the loss reported last year

Group sales from ongoing businesses up 10% to £52.8m

Increased final dividend of 4.00p per share (1994/95 – 2.89p per share)

Total dividend 5.41p per share (1994/95 – 4.30p per share)

Operating profit:–

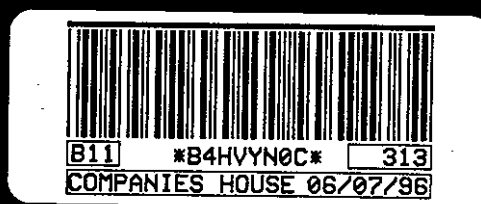
Ongoing businesses:	£000's
Country Casuals	3,531
Elvi	(1,634)
Lerose	12
	1,909

Terminated Businesses:

Elvi (closed stores)	(465)
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Group pre-tax profit £249,000

Earnings per share 0.60p



focused

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Philosophy

"To add value through the development of an innovative, progressive group whilst maintaining strong controls and professional management."



Left to right Ian Peacock, Thomas Adam, Christina Bunce, Mark Bunce, Andrew Mills-Baker

Corporate Information

Board of Directors

THOMAS ADAM Group Non-Executive Chairman (aged 63)[†]* Tom Adam was appointed Group Non-Executive Chairman on 13 September 1994. He has been a Non-Executive Director since 1989. From 1974, until his retirement in 1987, he was Group Finance Director of Sketchley and previously held senior financial appointments in the pharmaceutical and chemical industries. Since 1987, he has been a non-executive director of several private companies.

MARK BUNCE Group Chief Executive (aged 35) Mark Bunce was appointed Group Chief Executive on 13 September 1994 having previously been Group Finance and Strategy Director since the establishment of the Company in 1988. Prior to joining Country Casuals he was employed by Laura Ashley for four years, as Business Analysis Manager and then as Commercial Executive.

CHRISTINA BUNCE Group Commercial Director (aged 39) Christina Bunce was appointed Group Merchandising and Marketing Director after the purchase of Country Casuals Limited in 1989. She was previously employed by Laura Ashley for nearly five years, initially as a retail trainee and shop manager and finally as Merchandising and Marketing Controller.

ANDREW MILLS-BAKER Group Finance Director (aged 46) Appointed on 10 April 1995, Andrew Mills-Baker joined the Group from William Baird PLC where he was Development Director, having been Group Finance Director from 1990 to 1993. His earlier career included six years with Wickes plc, also as Group Finance Director.

IAN PEACOCK Non-Executive Director (aged 59)[†]* Ian Peacock was Group Finance Director of Habitat Mothercare from 1982 until he retired from full time executive involvements in 1986. Amongst his current activities, he is Non-Executive Chairman of Mayborn PLC.

* *Audit Committee*

[†] *Remuneration Committee*

Advisors

Merchant Bankers Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX

Auditors KPMG, Chartered Accountants, 8 Salisbury Square, London EC4Y 8BB

Bankers Bank of Scotland, St James Gate, 14-16 Cockspur Street, London SW1Y 5BL

Solicitors Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 4AQ

Stones Porter, 26 Farringdon Street, London EC4A 4AQ

Stock Brokers NatWest Wood Mackenzie & Co Ltd, 135 Bishopsgate, London EC2M 3XT

Secretary Andrew James Mills-Baker, FCA

Head Office, 17-19 Maddox Street, London W1R 5LE

Registered Office, Elgin House, Billing Road, Northampton NN1 5AU

Chief Executive's Review



The right strategy

In my report last year, I set out the main elements of the Group's strategy. These were highlighted in the circulars to shareholders during the course of the bid. A number of initiatives were identified, designed to assist in the continued growth of the Group. I am pleased to report that good progress has been made by all our businesses in implementing their individual plans, in a generally difficult trading environment.

We have invested in a number of projects designed to maintain future growth of the Country Casuals brand. One of the most important is the development of the Concept 2000 new store format which is now being successfully piloted at two locations. Elvi has been refocused to concentrate on a core of viable stores and expand the number of concessions within department stores. Lerose Manufacturing has commenced a programme to modernise its production facilities, which will be supported by over £900,000 of government grants.

Trading Review

Sales of the ongoing businesses advanced to £52.8m, an increase of 9.7%. Last year's figures were for a 53 week year and if the effect of the extra week is adjusted in the base figures, comparable sales have risen by 12%. Operating profits from ongoing businesses, ignoring the effect of the extra week, have increased from £1.4m to £1.9m, generated after writing off approximately £100,000 of costs incurred on the development of the Concept 2000 new store format.

Country Casuals had another excellent year with an overall sales increase, adjusted for the extra week last year, of 5%, and operating profits advanced 6% to £3.5m. The operating margin was 9%, up from 8.7%. As we reported in the fourth quarter trading statement, Country Casuals performed strongly in the weeks before Christmas trading at full price but encountered a disappointing start to the post Christmas sale which had an adverse impact on the final result for the year. Appropriate action was taken and sales growth recovered in January.

Elvi's results have been broken down in order to show more clearly the progress that has been made. The results of the core chain have been segregated from those of the stores now closed. Sales of the core business rose by 51.6% to £7.2m, and operating losses fell by £0.64m to £1.6m. The losses from the terminated outlets amounted to £0.47m. I am pleased to report that following on from these closures and the sustained performance improvement being shown by the brand, only 5 of the original 18 outlets identified for closure currently remain to be closed.

Lerose Manufacturing reported a strong increase in sales, up £1.1m to £6.59m, with most of the growth taking place in the second half of the year. This reversed the loss reported in the first half but the recovery was insufficient to prevent profits falling from £372,000 last year to £12,000. As well as timing issues on orders and capacity, the extensive amount of re-organisation that resulted from the initial re-investment programme has also impacted production levels.

Exceptional items

The results this year include three exceptional items. First, a net exceptional credit of £454,000 arose following the settlement in cash of a long running warranty claim against Coats Viyella plc. The dispute arose from the initial purchase of the Country Casuals business in 1989. Associated costs and losses arising from the claim have been charged through the profit and loss account as incurred. Secondly, following a detailed retail

and property review of all Elvi stores, the provision of £438,000, established last year to cover estimated closure costs, was increased at the half year by a further exceptional charge of £450,000. Actual closure costs to date have been in line with these estimates and we do not expect that any further provision will be required.

The third exceptional item arose from the costs incurred in successfully defending the hostile bid from Ciro Holdings PLC. These primarily represented payments to the Group's advisers and amounted to £1.1m.

Balance Sheet and Cash Flow

The Group has maintained a strong balance sheet and held cash at the year end of £38,000, with no borrowings, despite the combined effects of settling the costs of the bid defence, new store development costs and ongoing capital expenditure. During the year short term bank facilities have been used to finance the seasonal build up of stocks and this resulted in a net interest expense of £99,000.

Operating cash inflow amounted to £758,000. Net capital expenditure amounted to £1.9m, a major item was the purchase of a freehold property in Birmingham to be used for the expansion of Lerose Manufacturing and Group services. This expenditure, together with other associated development expenditure being undertaken in the next two years, is being supported by government grants amounting to £925,000. Only £100,000 of these grants had been received by the year end. Overall cash outflow amounted to £1.9m, this included payment of the bid defence costs of £1.1m.

Property

The Group's freehold and long leasehold property interests are managed by Lerose Investments Limited ("LIL"), a new subsidiary incorporated during the year. LIL purchased the freehold property in Birmingham and negotiated a joint venture contract with a local developer for the redevelopment of surplus industrial land in Coalville, which was signed last November. Under the contract, the developer undertakes to obtain planning consent, complete infrastructure work and purchase land for new development at an agreed price. Initial sales of land to the developer, which in total could amount to over £900,000, are expected to commence during 1996/7.

The year ahead

Each business is refining its programmes to continue progress in the current year. Country Casuals intend to open additional new concept stores and commence a refurbishment programme of existing stores. Elvi expects to complete its store closure programme and as part of plans to expand the core business, has already arranged to open 7 new department store concessions during the first quarter. Continued sales growth will be assisted by the launch of the Elvi Elite Card, a customer loyalty programme based on the successful Country Casuals Privileged Customer Scheme. These measures will continue Elvi's progress towards profitability. Lerose is taking steps to rebuild margins and take full advantage of the recently installed CAD and computerised cutting equipment. At the same time relationships are being established with new customers to provide a better balance to the flow of work.

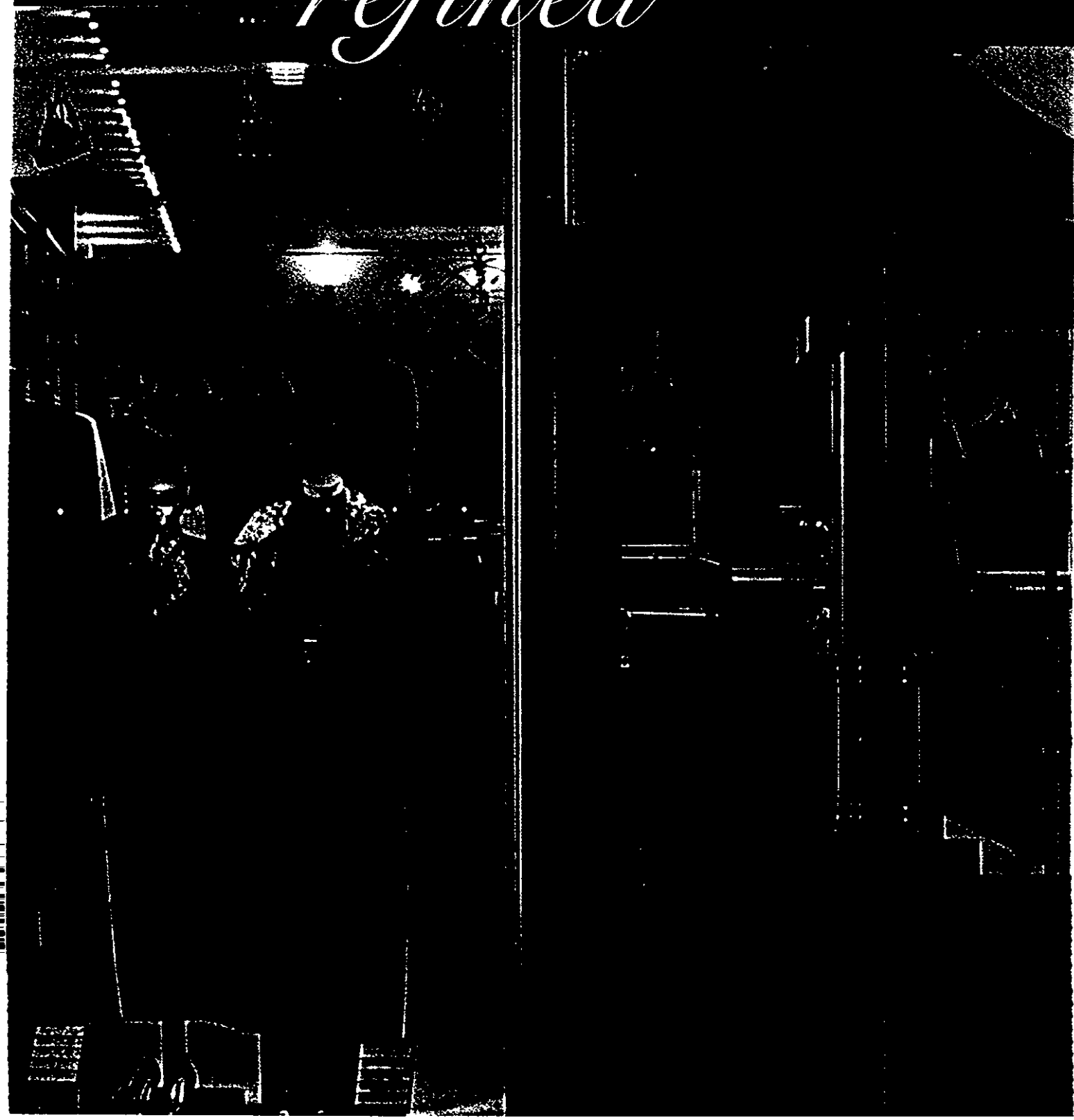
Whilst the trading environment remains challenging, we expect to continue to make good progress in the current year in each of our businesses.

MARK BUNCE

Group Chief Executive

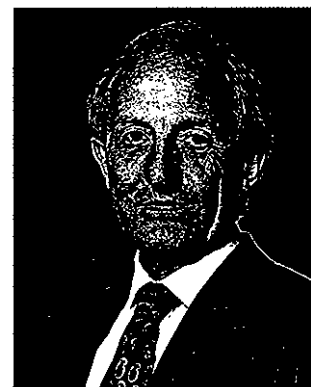
Country Casuals

refined



Review of Operations

Country Casuals has completed another highly successful year, increasing profits in each of the six years that it has been part of the Group. In 1995/6, a 52 week period, turnover grew to £39.1m, an annual increase of 3% over the previous 53 week period. Operating profits rose by 6.2% to £3.5m, representing an increase in the operating margin from 8.75% to 9.0%. The gross margin also rose by 1.5% to 60.3%. Stock levels between years and capital expenditure were slightly higher than the previous year but the business remained a significant contributor to Group cash flow.



Key achievements

At the start of the year, several important new projects were announced and much progress has been achieved in each of them. The key strategy that has initiated these projects is to ensure that the brand continues to innovate and develop its reputation for fashion and quality in response to the favourable demographic changes in its target market.

The first stage of this process was the successful launch of Concept 2000, a new retail format, developed following detailed research into customer requirements. During the second half of the year, the existing store at Guildford re-opened following extensive refurbishment in this format and a new store opened at the Lakeside Shopping Centre in Thurrock. The new concept stores are larger than the existing free-standing stores and are designed to broaden customer appeal, particularly towards the younger end of our target market. Initial trading has been very encouraging.

A second project has seen the introduction of limited range contemporary fashion capsules aimed at testing markets which are particularly sensitive to fashion trends. Again, customer response has been encouraging and the stores stocking these ranges have seen better than average growth.

We have expanded the marketing programmes targeted at the members of the Privileged Customer Scheme ("PCS") loyalty programme. Throughout the year, in addition to regular mailings, customers have been invited to special in-store events, arranged both locally and nationally. These have generally raised sales momentum and sustained sales at full price.

During the year the Country Casuals chain was expanded by the opening of three further new stores, one of which was a relocation. These stores were fitted out using the existing format slightly modified by reference to the Concept 2000 project. In addition, five new department store concessions were opened. Sales levels from these new outlets have met or bettered our expectations.

Continued emphasis is placed on the development of staff at all levels in the company. A series of training programmes covering key aspects of the business is underway under the auspices of the Investors in People initiative.

Future developments

In the coming year it is planned to open at least two more Concept 2000 stores in new locations. The format will incorporate a number of further enhancements, as a result of experience from the two pilots. In addition, at least two existing stores will be re-furbished to the new concept and further concession openings are planned.

The PCS database continues to expand as new customers are identified, particularly in the Concept 2000 stores. A number of marketing tests are planned, including the direct selling of non competing consumer goods.

DAVID LOWBRIDGE
Managing Director

Elvi

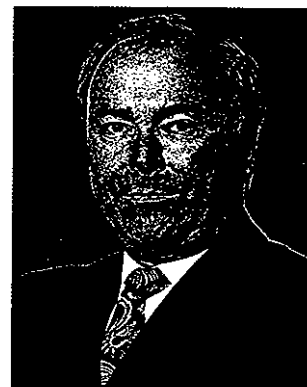
focused

Elite

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Review of Operations

In order to demonstrate clearly the performance of the core chain, the results for the year have been split between "ongoing activities" and "terminated activities". Terminated activities include those stores identified for closure and now closed. Consequently ongoing activities also includes the remaining stores identified for closure but still trading.



Turnover from the ongoing activities increased by 51.6% over the previous year; adjusted for the 53 week year in 1994/5, the increase was 54.5%. The operating loss was reduced from £2.3m to £1.6m. The proportion of sales at full price increased over the year and, as a result, the gross margin improved from 42.8% to 50.3%.

Dealing with poorly performing stores

At the end of the previous financial year, a provision of £438,000 was established to provide for the costs of closure of certain non-performing stores. A detailed property and trading review of all stores, conducted in the first half of the year, identified further stores that were unsuitable for the Elvi concept. Consequently, a further provision of £450,000 was reported in the interim accounts increasing the closure provision to £888,000 and covering a total of 18 stores. In order to minimise the exit costs, these stores continue to trade until the leases are disposed of.

Whilst only two of these stores had been closed by the half year, the majority of the remaining stores were disposed of in the final few weeks of the financial year or shortly thereafter. The closure costs incurred were in line with estimates used to establish the provision. The trading losses incurred by the stores have been reported on the face of the profit and loss account as part of terminated activities and amount to £465,000. Only five stores now remain on the disposal list and are now of manageable proportions in the overall context of the Group's leasehold portfolio.

Developing the Brand

At the year end, the core chain consisted of 15 stores and 29 concessions, 5 concessions having opened in the second half. As evidence of the success of the brand in department stores, a further 7 concessions will open in the first quarter of the new trading year. The operational management team, which was strengthened during 1995, is capable of handling this planned growth.

Brand awareness continues to improve, assisted by a focused media campaign, which culminated in a "Model of the Year" competition run in conjunction with Woman magazine. The final took place at the Clothes Show Live held at the NEC, Birmingham in December and was featured in the BBC TV programme that accompanied the Show.

A number of new initiatives are planned for the new year. One of the most important of these being the launch, in March, of the Elvi Elite Card. The new card will enhance the established customer loyalty programme. It will be managed by Group Services and be based initially on the existing Elvi Club database, but using the in house software developed for the Country Casuals Privileged Customer Scheme. The new card will enable the refinement of incentive promotions and extend the information available on customer buying patterns.

The core chain was profitable last year, at the branch level, and now that this has been achieved, as sales continue to grow, the business will continue to significantly reduce its overall losses. Whilst additional work is needed to refine the brand, further solid progress has been made towards the goal of developing Elvi into a successful and profitable specialist retailer catering for the larger-sized customer who has hitherto been poorly served in the ladies fashion marketplace.

RUSS HAMER

Managing Director

Corporate Governance

Statement by the directors on compliance with the Code of Best Practice

The directors confirm that the Group has been in compliance throughout the year with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance with the exception of paragraph 4.3. This requires the establishment of an audit committee consisting of at least 3 non-executive directors.

Given the present size of the Group, the Board believes that the complement of two non-executive directors is sufficient, although this is subject to review. Therefore, the Group's audit committee currently comprises the two non-executive directors.

Directors' responsibilities in respect of the preparation of financial statements

Under Company law the Directors have to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss for that period. In preparing those accounts the Directors are required to:

- ensure suitable accounting policies are maintained and applied at all times and across all areas of the Group and that any judgements or estimates are made in a consistent and prudent manner;
- state whether applicable accounting standards have been adhered to and provide suitable disclosures and explanations in the accounts where material departures from standards have been made;
- prepare the accounts using accounting policies and standards on the basis of a going concern, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence taking reasonable steps for the prevention and detection of any fraud or irregularity which may arise.

The workings of the board and its committees

The Board The Board currently comprises two non-executive directors and three executive directors, and is responsible to shareholders for the proper management of the Group. It meets every month, reviewing trading performance, setting and monitoring strategy, examining investment proposals, ensuring adequate funding and reporting to shareholders.

The following committees deal with specific aspects of the Group's affairs.

Audit Committee The Audit Committee is chaired by Tom Adam, and meets not less than three times annually. The committee provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and the Finance Director.

The Audit Committee is responsible for reviewing a wide range of financial matters including the half year and annual accounts before their submission to the Board, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature and scope of the audit with the external auditors.

Remuneration Committee The Remuneration Committee, chaired by Tom Adam, is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance-related bonus schemes. The committee comprises the two non-executive directors.

The report of the Remuneration Committee, which includes details of directors' remuneration and details directors' interests in shares and options, together with information on service contracts, is set out on pages 14 to 15.

Executive Committee The Executive Committee is chaired by Mark Bunce or by Tom Adam, if he is in attendance. The Committee comprises the executive directors together with key senior executives. It meets monthly to review the operational performance of each business and the Group. The Committee deals with all executive business of the Group not specifically reserved to the Board or to the Audit and Remuneration Committees.

Internal financial control The directors acknowledge that they are responsible for the Group's system of internal control. These controls are established in order to safeguard the Group's assets, maintain proper records and ensure that financial information used within the business or published is reliable.

Any such system of internal control can, however, only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures that the directors have established are as follows:-

- The full Board meets monthly and members of the Board are responsible for monitoring the performance of individual businesses within the Group.
- The Board has adopted a schedule of matters which require approval by the Board. These include:-
 - Corporate business plan and strategy.
 - Significant capital expenditure, treasury and dividend policies, acquisitions and disposals of businesses and acquisitions and disposals of property leases.
 - Levels of empowerment and authority within the Group.
- Annual budgets are prepared by each business using the framework set by the business strategies and plans. These form the basis of a Group budget which is adopted by the Board.
- Actual results of each business, together with consolidated Group results are reported monthly against the budget, together with updated half year and full year forecasts.
- The Audit Committee, which meets at least three times a year, reviews the effectiveness of the internal financial control process with management and with the external auditors and reports on it to the Board.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has 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.

Remuneration Committee Report

Composition of the Remuneration Committee The Committee consists of the two non-executive directors and is chaired by Tom Adam.

Compliance Although the provisions of the Code of Best Practice ("the Code") issued by the Study Group on Directors' Remuneration ("the Greenbury Committee") formally take effect only for accounting periods beginning on or after 31 December 1995, the Company has adopted the provisions of the Code early. The constitution and operation of the Committee is in compliance with the principles which are now incorporated in Section A of the best practice provisions derived from the Code, as amended by the Stock Exchange Listing Rules. The Committee also confirms that full consideration has been given to the best practice provisions set out in Section B, annexed to the Listing Rules, in determining the remuneration packages for directors for 1996/7. The Auditors' Report on the financial statements set out on page 35 confirms that the scope of the report covers the disclosures contained in this report that are specified for audit by the London Stock Exchange.

Policy on Remuneration of Executive Directors and Senior Executives The Group has long established performance-related remuneration policies. These are designed to reduce the proportion of fixed remuneration and provide for an element of conditional pay, linked to both individual and business performance.

The main components of the Group's remuneration packages are as follows-

Basic Salary Basic salary for each director and senior executive is established after taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in the retail sector.

Annual Bonus The targets for annual bonus are set by the Remuneration Committee balancing the short term and the longer term. Superior performance is encouraged by providing challenging performance goals, which must be achieved before the maximum bonus is payable. The bonus scheme includes individual objectives and targets linked to the Group's and business unit performance, for example, in profit before tax and cash flow management in relation to plan levels.

Executive Share Option Scheme The Group operates an executive share option scheme under which Executive Directors and senior executives are granted options over Country Casuals Holdings' shares at prevailing market prices at the time of grant. The maximum number of shares which may be held under option for any executive is calculated according to a formula whereby the aggregate option exercise prices represent a specified multiple of salary. The multiple does not exceed more than 2 times basic salary.

In normal circumstances, options granted under this scheme are exercisable not earlier than three years and not later than ten years after the date of grant and only while the executive remains in the Group's employment.

Long Term Incentive arrangements As mentioned in the Chairman's Statement, the Remuneration Committee is presently reviewing the long term incentive arrangements. It is proposed to consult with Shareholders on any revisions to existing arrangements in due course.

Pension The executive directors are members of a money purchase section of the Country Casuals Group Pension Plan. The Company makes annual contributions to the Plan which amount to 20% of basic salary and these are invested to provide a fund for the benefit of the Director on retirement. Certain senior executives have similar arrangements whilst others are members of the contributory section of the Plan, which requires each employee to contribute 5.5% of annual basic salary and these payments together with company contributions provide for defined benefits representing an annual pension of 1/60th of final pensionable earnings for each year of service.

The Trustees of the Plan are chaired by Ian Peacock, one of the Company's non-executive directors and include an actuary who is independent from the Group and expert in pension matters. Responsibility for investment of the scheme's funds has been delegated by the Trustees to professional investment managers. In accordance with best practice for company pension schemes, the investment managers are not permitted to hold the Group's shares or invest in the Group's assets.

Savesave Scheme An Inland Revenue approved SAYE Savesave Scheme is open to employees who have completed not less than one year's service and are contracted to work at least eight hours per week. Under this scheme options are granted over Country Casuals Holdings' shares, at the prevailing market price at the time of grant, to eligible employees who agree to save up to a maximum of £250 per month over a period of five years.

Staff Discount The Group provides all levels of staff with a discount on merchandise sold by its retail divisions.

Executive Directors' Service Contracts M.L. Bunce, C.M. Bunce and A.J. Mills-Baker have service contracts with the Company which are subject to termination by either the director, or the Company, giving not less than 12 months notice.

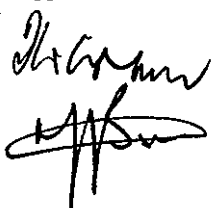
Consolidated Balance Sheet

at 27 January 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	8	6,844	6,136
Current assets			
Stocks	10	7,018	5,750
Debtors	11	6,804	6,655
Cash at bank and in hand		38	1,941
		<u>13,860</u>	<u>14,346</u>
Creditors: Amounts falling due within one year	12	(9,441)	(7,982)
Net current assets		<u>4,419</u>	<u>6,364</u>
Total assets less current liabilities		<u>11,263</u>	<u>12,500</u>
Provisions for liabilities and charges	13	—	(316)
Net assets		<u>11,263</u>	<u>12,184</u>
Capital and reserves			
Called up share capital	14	957	957
Share premium account	15	3,463	3,463
Other reserves	15	2,467	2,467
Merger reserve	15	2,896	2,896
Profit and loss account	15	1,480	2,401
Shareholders' Funds		<u>11,263</u>	<u>12,184</u>

The accounts were approved by the Board on 26 March 1996 and signed on its behalf by

Tom Adam
Mark Bunce
Directors



Statement of Recognised Gains and Losses

	52 weeks ended 27 January 1996 £'000	53 weeks ended 28 January 1995 £'000
Profit/(loss) for the financial period	115	(852)
Exchange adjustment on foreign currency net assets	-	143
Total recognised gains and losses for the financial period	115	(709)

Reconciliation of Movements in Shareholders' Funds

	1996 £'000	1995 £'000
Profit/(loss) for the financial period	115	(852)
Dividends	(1,036)	(823)
Goodwill arising on acquisition	-	(104)
Exchange adjustment on foreign currency	-	143
Net deductions to shareholders' funds	(921)	(1,636)
Shareholders' funds at 28 January 1995	12,184	13,820
Shareholders' funds at 27 January 1996	11,263	12,184

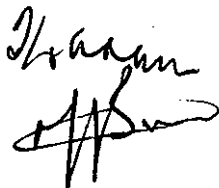
Company Balance Sheet

at 27 January 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets		228	239
Investments	9	1,575	10,177
		1,803	10,416
Current assets			
Debtors	11	12,669	7,278
Cash at bank and in hand		86	—
		12,755	7,278
Creditors: Amounts falling due within one year	12	(3,594)	(8,401)
Net current assets/(liabilities)		9,161	(1,123)
Total assets less current liabilities		10,964	9,293
Net assets		10,964	9,293
Capital and reserves			
Called up share capital	14	957	957
Share premium account	15	3,463	3,463
Merger reserve	15	2,896	2,896
Profit and loss account	15	3,648	1,977
Shareholders' Funds		10,964	9,293

The accounts were approved by the Board on 26 March 1996 and signed on its behalf by

Tom Adam
Mark Bunce
Directors



Consolidated Cash Flow Statement

for the 52 weeks ended 27 January 1996

		1996		1995	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	16		758		384
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Returns on investment and servicing of finance:					
Interest received		180		249	
Interest paid		(226)		(211)	
Dividends paid		(823)		(823)	
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Net cash outflow from returns on investments/servicing of finance			(869)		(785)
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Taxation					
Corporation Tax received/(paid) including Advance Corporation Tax			109		(366)
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Investing activities:					
Disposal of subsidiary		—		(213)	
Purchase of fixed assets		(2,036)		(4,241)	
Sale of fixed assets		135		1,641	
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Cash outflow from investing activities			(1,901)		(2,813)
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Net cash outflow before financing			(1,903)		(3,580)
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Financing activities:					
Repayment of finance lease			—		(5)
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Cash outflow from financing activities			—		(5)
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Net decrease in cash and cash equivalents	17		(1,903)		(3,585)

Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts. The accounts have been prepared in accordance with applicable Accounting Standards.

Group Accounts

The Group accounts consolidate the results of the Company and its subsidiary undertakings.

Basis of Accounting

The accounts have been prepared, under the historical cost accounting rules, for financial periods ending on the fourth Saturday in January.

The financial period reported in these accounts is for the 52 weeks from 29 January 1995 to 27 January 1996.

Turnover

The turnover of the Group comprises amounts receivable from external customers for goods sold and services provided, excluding trade discount, value added tax and other sales taxes.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated so as to write off the freehold, long and short leasehold properties and the cost of other tangible fixed assets over their estimated useful lives on a straight line basis as follows:

Freehold and long leasehold	3%
Short leasehold premises	Over the term of the lease
Plant and machinery	20% to 33 1/3%
Motor vehicles	25%
Fixtures and fittings	14.3%

Investments

Shares in group subsidiary undertakings are stated at cost less any amounts written off.

Intangible Fixed Assets

Expenditure on research and development, samples and trademarks is written off in the year in which it is incurred.

Leased Assets

Where assets have been acquired through funding by leasing arrangements which give rights approximating to ownership ('finance leases'), the amount representing the outright purchase price of the asset is capitalised and depreciated in the same manner as owned assets.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayment outstanding.

Operating lease rentals are charged to the profit and loss account as incurred over the term of the lease.

Goodwill

Goodwill or negative goodwill arising on acquisition of subsidiaries is written off against or credited to reserves.

Stock and Work in Progress

Stocks are valued at the lower of cost and net realisable value. Cost is the invoiced value of raw materials and finished goods. For work in progress and finished goods manufactured by the Group, cost is taken as production cost which includes an appropriate proportion of attributable overheads.

Foreign Currencies

All assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion of foreign currency borrowings are dealt with in the profit and loss account.

Deferred Taxation

Deferred taxation is provided for to the extent that there is a reasonable probability that the taxation will become payable. The provision is calculated using the liability method in respect of significant timing differences.

Pensions

The Company operates a contributory pension scheme covering a large proportion of its permanent staff. The scheme's funds are administered by trustees and are independent of the Company's finances. The regular costs of providing benefits are charged to the profit and loss account so as to spread the cost over employees' working lives on a systematic basis. Variations from regular costs are spread over the remaining service lives of the current employees.

Government Grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Notes to the Accounts

1. Divisional analysis of turnover, gross profit and operating profit

Turnover arises from the sales of womens' wear by the Group to third parties, net of discounts and value added tax.

(a) Analysis of turnover by origin

	52 weeks ended 27 January 1996 £'000	53 weeks ended 28 January 1995 £'000
United Kingdom	53,439	49,797
Continental Europe	781	673
	54,220	50,470

(b) Analysis by activity

	Ongoing £'000	Terminated £'000	Total 1996 £'000	Ongoing £'000	Terminated £'000	Total 1995 £'000
Turnover:						
Retail-						
Country Casuels	39,069	—	39,069	37,946	—	37,946
Elvi	7,186	1,376	8,562	4,740	1,213	5,953
Koto	—	—	—	—	1,079	1,079
	46,255	1,376	47,631	42,686	2,292	44,978
Manufacturing	6,589	—	6,589	5,492	—	5,492
Total turnover	52,844	1,376	54,220	48,178	2,292	50,470
Gross profit:						
Retail-						
Country Casuels	23,550	—	23,550	22,298	—	22,298
Elvi	3,617	649	4,266	2,028	568	2,596
Koto	—	—	—	—	386	386
	27,167	649	27,816	24,326	954	25,280
Manufacturing	669	—	669	1,059	—	1,059
Total gross profit	27,836	649	28,485	25,385	954	26,339
Operating profit/(loss):						
Before exceptional items						
Retail-						
Country Casuels	3,531	—	3,531	3,322	—	3,322
Elvi	(1,634)	(465)	(2,099)	(2,274)	(415)	(2,689)
Koto	—	—	—	—	(784)	(784)
	1,897	(465)	1,432	1,048	(1,199)	(151)
Manufacturing	12	—	12	372	—	372
Total operating profit/(loss)	1,909	(465)	1,444	1,420	(1,199)	221

Notes to the Accounts

continued

1. Divisional analysis of turnover, gross profit and operating profit (continued)

	52 weeks ended 27 January 1996 £'000	53 weeks ended 28 January 1995 £'000
Exceptional items represent:		
Closure of loss making Elvi Stores	(450)	(438)
Net settlement of Coats Viyella claim	454	—
Bid defence costs	(1,100)	—
	(1,096)	(438)
Represented as:		
Distribution costs	(450)	(438)
Administration costs	(646)	—
	(1,096)	(438)
(c) Analysis of net assets by activity		
	1996 £'000	1995 £'000
Retail	8,323	9,826
Manufacturing	2,940	2,358
	11,263	12,184

2. Operating profit

(a) This is stated after charging/(crediting):	1996 £'000	1995 £'000
Depreciation of tangible fixed assets	1,124	1,054
Exchange gains	44	21
Operating lease rentals – Property	4,576	4,024
– Machinery	95	92
Net rental income	(302)	(196)

Fees in respect of services provided by the auditors were: statutory audit of the Group £50,250 (1995 – £65,000), other services provided in the UK £224,200 (1995 – £36,700).

Notes to the Accounts

continued

(b) Directors' remuneration

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	52 weeks ended 27 January 1996 Number	53 weeks ended 28 January 1995 Number
£90,001-£95,000	1	—
£85,001-£90,000	1	1
£80,001-£85,000	1	2
£30,001-£35,000	1	—
£15,001-£20,000	1	2
	1996 £'000	1995 £'000
Emoluments of former Chairman		
—Remuneration excluding pension contributions	—	84
—Pension contributions	—	15
Emoluments of Chairman		
—Remuneration excluding pension contributions	30	10
—Pension contributions	—	—

The emoluments (excluding pension contributions) of the highest paid director, were £94,000.

3. Staff numbers and costs

The average number of staff employed by the Group during the period was:

	52 weeks ended 27 January 1996 Number	53 weeks ended 28 January 1995 Number
Retail and Distribution	980	948
Manufacturing	239	236
Administrative	124	115
	1,343	1,299

The staff costs for the period were:

	£'000	£'000
Wages and salaries	10,728	10,123
Social security costs	743	731
Other pension costs	284	197
	11,755	11,051

Notes to the Accounts

continued

4. Net interest (payable)/receivable

	52 weeks ended 27 January 1996 £'000	53 weeks ended 28 January 1995 £'000
Bank loans and overdrafts repayable – wholly within five years	(198)	(252)
	(198)	(252)
Less: Interest receivable	99	262
Net interest (payable)/receivable	(99)	10

5. Taxation on profit on ordinary activities

	£'000	£'000
U.K. Corporation tax at 33%	172	—
Deferred taxation	(12)	(70)
Over charge in previous periods	(26)	(65)
Net charge/(credit)	134	(135)

6. Dividends

	£'000	£'000
Ordinary shares 5p – Interim dividend of 1.41p per share (1995 – 1.41p)	270	270
– Final dividend proposed of 4.00p per share (1995 – 2.89p)	766	553
	1,036	823

7. Earnings/(loss) per share

Earnings per share is based on the profit after taxation of £115,000 (1995 – loss £852,000) and on the weighted average number of ordinary shares that were in issue during the period which is calculated to be 19,148,977 (1995 – 19,148,977). The dilutive effect of unexercised options on earnings per share is not material.

Notes to the Accounts

continued

8. Tangible fixed assets

	Freehold and Long Leasehold £'000	Short Leasehold £'000	Plant and Machinery £'000	Total £'000
Cost				
At 28 January 1995	1,382	1,819	8,307	11,508
Additions	865	—	1,391	2,256
Disposals		(55)	(651)	(706)
At 27 January 1996	2,247	1,764	9,047	13,058
Depreciation				
At 28 January 1995	324	713	4,335	5,372
Charge for year	36	86	1,002	1,124
Disposals	—	(20)	(262)	(282)
At 27 January 1996	360	779	5,075	6,214
Net book value				
At 27 January 1996	1,887	985	3,972	6,844
At 28 January 1995	1,058	1,106	3,972	6,136

Notes to the Accounts

continued

9. Fixed asset investments

	Shares in subsidiary undertakings £'000	Amounts due from subsidiary undertakings £'000	Total £'000
Cost			
At 28 January 1995	11,177	1,500	12,677
Amounts repaid by subsidiary	—	(1,500)	(1,500)
At 27 January 1996	11,177	—	11,177
Amounts written off:			
At 28 January 1995	(2,500)	—	(2,500)
Written off during year following dividend receipt	(7,102)	—	(7,102)
At 27 January 1996	(9,602)	—	(9,602)
Net book value:			
At 27 January 1996	1,575	—	1,575
At 28 January 1995	8,677	1,500	10,177

The Company's principal subsidiaries are shown in note 22.

10. Stocks

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Raw materials and consumables	1,247	774	—	—
Work in progress	456	459	—	—
Finished garments	5,315	4,517	—	—
	7,018	5,750	—	—

Notes to the Accounts

continued

11. Debtors: amounts due within one year

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Trade debtors	4,706	4,338	—	30
Amounts due from subsidiary undertakings	—	—	12,433	6,865
Other debtors	115	294	3	—
ACT and corporation tax recoverable	546	684	192	344
Prepayments and accrued income	1,437	1,339	41	39
	6,804	6,655	12,669	7,278

Included in prepayments and accrued income is £82,000 (1995 - £70,000) in respect of deferred tax which has been credited to the profit and loss account. £12,000 in the current year and £70,000 in 1995.

Included in the above is an amount of £191,500 (1995 - £138,400) due after one year.

12. Creditors: amounts falling due within one year

	£'000	£'000	£'000	£'000
Bank overdrafts	—	—	—	394
Trade creditors	3,094	2,693	158	197
Amounts due to subsidiary undertakings	—	—	2,148	7,062
Other creditors	712	484	16	4
Corporation tax	262	146	192	138
Other taxation and social security	1,563	1,289	107	(20)
Accruals and deferred income	3,044	2,817	207	73
Proposed dividend	766	553	766	553
	9,441	7,982	3,594	8,401

The bank overdraft facility is secured by a mortgage debenture, cross-guaranteed between the Company and its subsidiaries.

13. Provision for liabilities and charges

	Reorganisation provision	
	1996 £'000	1995 £'000
At 28 January 1995	316	801
Negative goodwill released	—	104
Utilised during the period	(316)	(589)
At 27 January 1996	—	316

Notes to the Accounts

continued

14. Share capital

	1996		1995	
	Authorised £	Called up, issued and fully paid £	Authorised £	Called up, issued and fully paid £
(a) Ordinary shares 5p each	1,300,000	957,448	1,300,000	957,448
	Number	Number	Number	Number
	26,000,000	19,148,977	26,000,000	19,148,977

(b) Share options

Options granted to officers and employees and former employees (excluding directors)

	Date of grant	No. of shares	Exercise price
Savings Related Scheme	1992 - 5 year	85,644	130p
	1992 - 7 year	132,905	130p
	1993 - 5 year	16,924	172p
	1993 - 7 year	17,680	172p
	1995 - 5 year	140,201	108p
	1995 - 7 year	70,598	108p
Executive Scheme	24.06.92	150,000	130p
	05.05.93	60,000	175p
	10.11.93	75,000	172p
	27.10.94	30,000	82p

The options granted under the Executive Share Option Scheme are exercisable between three and ten years from the date of grant. Options under the Savings Related Share Option Scheme are exercisable within six months of the end of the appropriate – savings periods which are of five or seven years in duration.

No options have been granted or exercised during the period from 27 January 1996 to 26 March 1996.

The movements on the Share Scheme are as follows:

Number of options	Executive Scheme	Savings Related Scheme	Total
Options in issue at 28 January 1995	375,000	345,038	720,038
Options granted	30,000	231,997	261,997
Options cancelled	(60,000)	(95,078)	(155,078)
Options in issue at 27 January 1996	345,000	481,957	826,957

The market price of the Company's ordinary shares at 27 January 1996 was 149p (1995 – 93p). The share price quoted for the Company during the 52 weeks ended 27 January 1996 ranged between 95p and 149p.

Notes to the Accounts

continued

15. Share premium account and reserves

Group	Share Premium Account £'000	Other Reserves £'000	Merger Reserve £'000	Profit and Loss Account £'000
At 28 January 1995	3,463	2,467	2,896	2,401
Retained loss for the period	—	—	—	(921)
At 27 January 1996	3,463	2,467	2,896	1,480

Company	Share Premium Account £'000	Merger Reserve £'000	Profit and Loss Account £'000
At 28 January 1995	3,463	2,896	1,977
Profit for the year	—	—	1,671
At 27 January 1996	3,463	2,896	3,648

16. Net cash flow from operating activities

	1996 £'000	1995 £'000
Operating profit/(loss)	348	(217)
Depreciation charged	1,124	1,054
(Increase)/decrease in debtors	(355)	557
Increase/(decrease) in creditors	1,466	(598)
(Increase)/decrease in stocks	(1,509)	177
Reorganisation costs cash outflow	(316)	(589)
Net cash inflow from operating activities	758	384

17. Net decrease in cash and cash equivalents

	1996 £'000	1995 £'000
Cash and cash equivalents at beginning of year	1,941	5,441
Net decrease in cash and cash equivalents	(1,903)	(3,585)
Exchange	—	85
Net cash and cash equivalents at end of year	38	1,941

Notes to the Accounts

continued

18. Pensions

The Group operates a defined benefits pension scheme, and employees who are members of the scheme pay contributions into a trust fund held separately from the assets of the Group. The assets of the fund are invested by external managers.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. Contributions are determined by a qualified actuary on the basis of triennial valuations.

The most recent actuarial valuations were undertaken as at 6 April 1993 when the pension schemes were administered as three separate defined benefit pension schemes. The actuarial valuations were carried out using the projected unit method and assumed that the investment returns would be between 8.5%–10% per annum and Pensionable Earnings would increase by 7% per annum on average. The valuations showed that the market value of the schemes' assets was £14,418,200 and that the actuarial value of those assets represented 107% of the benefits that had accrued to the members, after allowing for expected future increases in earnings.

The pension cost for the period was £284,000 (1995 – £289,000) after allowing for £126,000 (1995 – £127,000) in respect of the amortisation of the past service surpluses over the remaining service lives of employees. The pension provision as at 27 January 1996 was £480,000 (1995 – £310,000).

19. Commitments

(a) Capital commitments at the end of the financial year for which no provision was made: –

	1996 £'000	Group 1995 £'000
Authorised and contracted	82	—
Authorised but not contracted	243	142
	325	142

(b) At the end of the financial year the Group had annual commitments under non-cancellable leases as follows:

Operating lease rentals payable during the next year:

Leases of land and buildings expiring:	1996 £'000	1995 £'000
Within one year	304	48
Within one to two years	30	—
Within two to five years	194	130
Over five years	3,925	4,393
	4,453	4,571
Other operating leases expiring:		
Within one year	13	—
Within two to five years	65	74
Over five years	8	1
	86	75

Notes to the Accounts

continued

20. Contingent liabilities

On 20 February 1996 the Company received a writ from Mr John Shannon claiming in the region of £194,000 as damages for alleged wrongful dismissal.

Mr Shannon resigned as an Executive Director of the Company in September 1994. These proceedings are in addition to his earlier proceedings for unfair dismissal in the Industrial Tribunal. Liability in respect of both the wrongful and unfair dismissal matters is denied and both sets of proceedings will be defended vigorously.

Based on the advice from the Group's legal advisors and the opinion of Counsel, the Directors consider that the Company has a strong case in relation to both liability and quantum (if any). Accordingly no provision has been made in the accounts.

21. Company profit and loss

No profit and loss account is presented for Country Casuals Holdings plc as permitted by s.230 of the Companies Act 1985.

The retained profit for the period for Country Casuals Holdings plc was £1,671,000 (1995 – £727,000).

22. Principal subsidiaries

Details of the principal subsidiaries are set out below. The Group owns 100% of the ordinary share capital of each of the following:

Name	Country of incorporation and Principal country of trading	Principal activities
Country Casuals Limited	UK	Retailer of womens' wear
Lerose Limited	UK	Retailer and manufacturer of womens' wear
Lerose Investments Limited	UK	Holding company

All of the above companies are registered in England and Wales.

Report of the Auditors

We have audited the accounts on pages 18 to 34. We have also examined the amounts disclosed relating to emoluments, share options and long term incentive scheme interests of the directors which form part of the Remuneration Committee Report on page 14 and 15.

Respective responsibilities of the Directors and Auditors

As described on page 12 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 Group's circumstances, 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 the Group as at 27 January 1996, and of the profit of the Group for the 52 weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 12 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed. We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Company's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

With respect to the Directors' statement on internal control on page 13 and going concern on page 13, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the Company, and the examination of relevant documents, in our opinion the Directors' statement on page 12 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.



KPMG
Chartered Accountants
Registered Auditors
London

26 March 1996

Notice of Annual General Meeting

and Explanatory Notes on the Special Business to be transacted at the Annual General Meeting to be held on Tuesday 21 May 1996

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Country Casuals Holdings plc will be held on Tuesday 21 May 1996 at 12 noon at the Metropole Hotel, Edgware Road, London W2 for the transaction of the following business:

Ordinary Business

To consider and, if thought fit, to pass the following resolutions:

Resolution 1 To approve and adopt the Accounts for the 52 weeks ended 27 January 1996 together with the report of the Directors and Auditors thereon.

Resolution 2 To declare a final dividend of 4.00p per ordinary share in respect of the 52 weeks ended 27 January 1996 payable on 1 July 1996 to shareholders on the register at the close of business on 11 April 1996.

Resolution 3 To re-appoint Mrs C.M. Bunce as a Director of the Company.

Resolution 4 To appoint KPMG Audit Plc as auditors of the Company at a remuneration to be fixed by the Directors.

Special Business

To consider and, if thought fit, to pass the following resolutions of which number 5 will be proposed as an ordinary resolution and number 6 will be proposed as a special resolution:

Resolution 5 That the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985) up to an aggregate nominal value of £342,552. This authority shall expire on the next annual general meeting of the Company or on 21 August 1997 (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred had not expired. This authority shall be in substitution for and shall replace any existing authority pursuant to the said Section 80 to the extent not utilised at the date this resolution is passed.

Resolution 6 That subject to the passing of resolution 5 above, the Directors be and they are hereby empowered to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) of the Company pursuant to the authority conferred by resolution 5 above as if Section 89(1) of the said Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with a rights issue in favour of ordinary shareholders where the equity securities offered are proportionate (as nearly as practicable) to the respective number of ordinary shares held by such holders but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements, record dates, or legal or practical problems under the laws of, or the requirements of, any regulatory authority or otherwise howsoever; and/or
- (b) pursuant to acceptance of any scrip dividend offer; and/or
- (c) otherwise than pursuant to (a) or (b) above for cash up to an aggregate nominal amount of £47,872.

Notice of Annual General Meeting

This power shall expire on the date of the next annual general meeting of the Company or on 21 August 1997 (whichever is the earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired.

By Order of the Board

A.J. MILLS-BAKER
Secretary

26 March 1996

Registered Office
Elgin House
Billing Road
Northampton NN1 5AU
Registered in England No. 2319160

Explanatory Notes

Resolutions 5 and 6 in the notice of the Annual General Meeting constitute special business.

Resolution 5, which will be proposed as an ordinary resolution, authorises the Directors of the Company to exercise the power of the Company to allot shares up to an aggregate nominal value of £342,552, being one-third of the ordinary share capital currently in issue together with the ordinary share capital reserved for issue pursuant to share options. This authority, unless previously varied, revoked or renewed, will expire on 21 August 1997 or the conclusion of the next annual general meeting of the Company (whichever is the earlier).

Resolution 6, which will be proposed as a special resolution, authorises the Directors of the Company to allot for cash equity securities pursuant to a rights issue, to a scrip dividend offer and to an issue not exceeding in aggregate an amount equal to 5% of the current issued share capital of the Company, as if the pre-emption rights contained in Section 89 of the Companies Act 1985 did not apply to any such allotment. The authority conferred by this resolution, unless varied, revoked or renewed, will expire on 21 August 1997 or the conclusion of the next annual general meeting of the Company (whichever is the earlier).

Notes

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.

Proxy forms must be deposited together with the power of attorney (if any) under which it is signed, or a notarially certified or office copy thereof, at the Registrars of the Company, Bank of Scotland, Registrars Department, PO Box 1004, Apex House, 9 Haddington Place, Edinburgh EH7 0LA, not later than 48 hours before the time of the Meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the Meeting.

There will be available for inspection on the day and at the place of the meeting for at least 15 minutes prior to the meeting and at the meeting, the register of directors' interests maintained in accordance with Section 325 of the Companies Act 1985 and copies of the executive directors' service agreements.

These documents will also be available for inspection during normal business hours on any weekday (Saturdays and public holidays excluded) at 17/19 Maddox Street, London from the date of this notice to the date of annual general meeting.

Financial Highlights 1992 – 1996

	25 January 1992 £'000	23 January 1993 £'000	22 January 1994 £'000	28 January 1995 £'000	27 January 1996 £'000
Turnover	35,955	34,751	40,926	50,470	54,220
Operating profit—Ongoing activities	2,203	2,575	2,513	1,420	1,909
Operating Profit—Terminated activities				(1,199)	(465)
Operating Profit—Exceptional items				(438)	(1,096)
Profit/(loss) on sale of fixed assets	188	(35)	(48)	90	—
Loss on sale of operation				(870)	—
Profit/(loss) on ordinary activities before interest	2,391	2,540	2,465	(997)	348
Net interest (payable)/received	(383)	40	155	10	(99)
Profit/(loss) before taxation	2,008	2,580	2,620	(987)	249
Net assets	6,919	9,897	13,820	12,184	11,263

Form of Proxy

BLOCK LETTERS PLEASE

I/We _____

of _____

being (a) member(s) of the above named Company hereby appoint the Chairman of the Meeting

to act as my/our proxy at the 1996 Annual General Meeting of the Company (and at any adjournment thereof):

I/We have indicated with a tick (✓) in the appropriate boxes how I/we wish my/our vote(s) to be cast on each of the Resolutions set out in the Notice of Meeting.

Ordinary Business**FOR****AGAINST**

1.	To adopt the Annual Report and Accounts		
2.	To pay a final dividend		
3.	To re-elect Mrs C. M. Bunce as a Director		
4.	To appoint KPMG Audit Plc as auditors and to authorise Directors to fix their remuneration		

Special Business

5.	To renew authority for Directors to allot securities		
6.	To authorise the limited disapplication of pre-emption rights		

Signed _____

Dated _____

1996

Notes

1. You may appoint a proxy or proxies to attend and vote for you at the Meeting. Appointment of a proxy will not prevent you from attending and voting in person at the Meeting if you wish to do so. Proxy forms must be deposited together with the power of attorney (if any, under which it is signed, or a notarially certified or office copy thereof), not later than 48 hours before the time of the Meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the Meeting.
2. You should delete the words "the Chairman of the Meeting". If you wish to appoint someone other than the Chairman as your proxy, and write his/her name and address, on the Form of Proxy.
In the case of a Corporation, this form of proxy must be under seal or under the hand of an Officer or Attorney duly authorised.
3. Instruct your proxy how to vote by marking the appropriate box next to the each resolution. The full text of each resolution is set out in the Notice of the Annual General Meeting. Your proxy will have discretion to vote in respect of your total holding on any further amended resolution for which no specific instruction is given.
4. In the case of a Corporation, the Form of Proxy Card should be under its common seal or signed by an Officer or Attorney duly authorised.
5. In the case of joint holders, any one of them may sign.

Second Fold

BUSINESS REPLY SERVICE
Licence No. EH 142



BANK OF SCOTLAND
REGISTRAR DEPARTMENT
PO BOX 1004
APEX HOUSE
9 HADDINGTON PLACE
EDINBURGH
EH7 0LA

First Fold

Third Fold
and tuck in opposite