



Chairman's Statement

The results for the year are in line with those indicated in the trading statement published on 17 February. On sales of £54.4m (1995/6 – £54.2m) the Group operating profit was £357,000 (1995/6 – £348,000). The pre tax profit was £108,000 (1995/6 – £249,000). Our principal business, Country Casuals, has reported an operating profit of £3.1m (1995/6 – £3.5m) and despite the reduction in profit continues to hold a dominant position in its sector of the ladieswear market.

Even after taking account of the losses at Elvi and Lerosé the Group balance sheet remains strong. We reported on the slowdown in our businesses last November and action was taken during the final quarter to ensure that stock levels would be close to planned levels by year-end. This has been largely achieved and Group stocks at the end of January amounted to £6.9m, down on the £7.0m reported in the previous year. Consequently, Group borrowings which were £3.4m at the half year were £0.9m at the year end (1995/6 – nil). Shareholders' Funds at the year end were £11.0m.

The Board is continuing to pursue the strategy of restructuring the Group, as described in the trading statement dated 17 February 1997, and preliminary discussions are being held with potential purchasers for both the Elvi and Lerosé businesses. As announced on 25 March 1997, the Company is also in preliminary talks with Mr Mark Bunce, Chief Executive of Country Casuals Holdings plc, which may or may not lead to an offer being made for the Group.

In the interest of maximising shareholder value, the Board has agreed that it is appropriate to allow Mr Bunce to pursue this course of action for a limited period of time.

Dividend

In view of the low level of profitability, the Board is not recommending a final dividend. Therefore the total dividend for the year amounts to 1.70p (1995/6 – 5.41p).

Prospects

Country Casuals has made a strong start to the new year and is currently reporting double digit sales growth. Elvi has made a slower start but expects growth to come through as it enters the Spring selling season. Lerosé has confirmed a forward order book for the first three quarters of the year in excess of £5m, a level above the value of annual sales last year. Whilst the Group remains as presently constituted, we continue to seek to maximise the opportunities to develop the potential of all three businesses.

Thomas Adam

Chairman

Chief Executive's Review

Review of Operations

Group Results

Although there was little overall growth in sales between years, this masks a 7% increase in retail sales, which advanced to £50.8m, offset by a 46% fall in manufacturing sales, which fell to £3.6m. Group profitability benefited from a reduction in Elvi's losses but suffered from the impact of the significant fall off in Lerosé's business and a slippage in profits at Country Casuals. Despite these results, each business is in better shape than 12 months ago and prospects for 1997/8 are encouraging.

Country Casuals

Country Casuals has had a disappointing year in comparison to the high standards it has set in recent years. In 1996/7, turnover grew to £40.6m, an increase of 4% over the previous year. However, operating profits fell from £3.5m to £3.1m. This largely resulted from a 3.3% decline in the gross margin which fell to 57%. Whilst buying margins strengthened, the level of mark-downs necessary to achieve planned sales volumes was higher than anticipated, and this reduced the proportion of sales at full price.

The Autumn/Winter range had been purchased to meet a significant planned growth in sales. When it was apparent at the end of November that the rate of growth was falling short of this, the strategy for the Christmas sale was revised to provide for an earlier start and a higher level of

discounts. Whilst depressing the margin and overall profitability, it resulted in unit sales in the second half achieving a double digit increase over the previous year. Consequently year end stocks carried minimal levels of old season garments with concomitant benefits on cash flow and the margin for the Spring season.

It was recognised in the first half of last year that there were weaknesses in the range and action was taken to address this. We reported at the interim stage that we had split the merchandising and marketing functions on the Country Casuals board. A new merchandising director was appointed at the beginning of September and during the latter part of the year the department has been re-organised and the team strengthened.

The on-going reviews of range performance together with customer research has revealed the need for an increase in the proportion of more relaxed day wear and less emphasis on formal occasion wear. A number of changes towards this were made in the later packs in the Autumn/Winter range, but the first full season to benefit from the new approach will be Spring/Summer 1997. The initial results are encouraging and these revisions will be carried over into Autumn/Winter 1997/8.

During 1996/7 considerable progress has been made on the development of the Concept 2000 retail format. In the first half of the year existing stores in Cardiff and Nottingham were refurbished to the new format. In the third quarter new stores were opened in Reading and Leeds. In addition, traditional format stores were opened in Petersfield and Cirencester. Three

unsuitable, loss making, older style stores have been closed. Business in these new stores has met expectations and further openings are planned in 1997/8.

The Concept 2000 stores have successfully introduced a new corporate shopfit and livery. This format is being incorporated into a "New Mood" launch, taking place across the chain from the end of March. New designs for shop facias, window displays, garment displays, swing tickets, labels and carrier bags are being progressively introduced. This launch is designed to not only retain the loyalty of our existing customer base, but also to extend our market penetration at the younger end of our target age range.

The Privileged Customer Scheme, Country Casuals' customer loyalty programme, continues to attract new customers and exclusive in-store events for PCS customers remain an important stimulus to sales growth.

Elvi

Elvi set out to increase sales in 1996/7 by at least 20%. In the event, good progress was made towards this target and sales grew from £8.6m to £10.2m, an increase of 19%. However, the cost of promotional activity necessary to achieve this level of sales, particularly in the fourth quarter of the year, resulted in an overall 3.7% reduction in the gross margin. This meant that operating losses in the second half of the year were higher than planned, giving rise to an overall loss for the year of £1.6m (1995/6 £2.1m after losses on terminated activities of £0.5m).

The development of the business during 1996/7 was assisted by the opening of 20 concessions in department stores across the country bringing the total at the end of January to 48 units. The completion of the programme announced last year to close under-performing free-standing stores has enabled focus to be given on the development of a revised retail format. The first pilot store in the new format was opened at the end of November within the Merry Hill shopping centre in the West Midlands. This store is approximately twice the size of the existing stores and is better equipped to display the range to its best effect. This store is already the largest outlet in the chain when measured by sales on a week to week basis. Plans are being prepared to open further units in this format during 1997. At the year end there were 23 free standing stores.

It was reported at the interim stage that eleven free standing stores were disposed of in the early part of the year. The costs of closure were charged to the exceptional provision established for this purpose during 1995/6. Approximately £237,000 of this provision remains available and following a review of trading performance up to six stores may be disposed of in 1997/8. The estimated disposal costs are expected to be covered by the remaining provision.

The Elvi Elite Card, the Elvi customer loyalty programme, was launched in April 1996. It continues to attract new customers and membership approaches 100,000.

The chain was profitable during the year at branch level and the challenge now is to continue to increase sales in existing outlets, to progressively

expand the number of outlets and bring the business into profit.

Lerose

After three years of strong growth in sales, Lerose encountered a significant reverse during 1996/7 and turnover fell by 46% to £3.6m. This was caused by a dramatic reduction in demand from a major customer, which could not be replaced due to the short notice given. This had an adverse impact on both factory output and overhead recovery and Lerose has moved from a small profit last year to an operating loss this year of £1.1m.

Despite these difficulties, continued progress has been made with the introduction of the computerised fabric spreader and cutter which are linked to new CAD equipment, installed in December 1995. This has given Lerose state of the art facilities which are particularly of benefit for those customers seeking fast response and maximum flexibility. Lerose is able to offer integrated design services that not only facilitate the conversion of concept sketches to production samples but provide costings and on line links to the cutter.

During last Autumn discussions were held with existing customers in order to identify their requirements for the coming year. All customers, particularly our major customer, have responded with significant increases in requirements. By the middle of March 1997, the order book was in excess of £5m which, if sustained, will result in annual turnover returning to the levels reported in 1994/5. Lerose is also continuing efforts to

develop new business and reduce dependence on any one customer.

Balance Sheet and Cash flow

The Group balance sheet remains strong and year end borrowings were held below £1m representing gearing of 8%. Operating cash inflow during the year amounted to £2.3m, (1995/6 £758,000). The Group has continued to invest in new stores and store refurbishments. Capital expenditure amounted to £1.8m (1995/6 £2.0m). Overall cash outflow was £1.0m, (1995/6 £1.9m). Short term borrowings were used during the year to finance the seasonal build up of stocks, resulting in net interest expense of £249,000, (1995/6 £99,000).

Property

The Group continues to manage its property portfolio actively. In the first part of the year, a number of short term rentals were arranged to let surplus space on the central Birmingham site, acquired in the Summer of 1995. Work on the joint venture development site in Coalville has progressed following the resolution of a number of planning issues raised by the Highway authorities. It is expected that the first pre-lets on the site will be confirmed during 1997.

In January 1997, following extensive discussions with the planning authorities, outline permission was given for the redevelopment of the East Kilbride factory site for out of town retail use. A search is now underway to identify a new factory in the vicinity to facilitate the sale of the site.

Summary

Each of the three businesses has the potential to achieve considerable improvement over the coming year.

The "New Mood" launch by Country Casuals is being accompanied by a strong start to the Spring/Summer season. Chichester, one of the top performing free standing stores, was refurbished in February and this is adding further impetus to the introduction of the new corporate identity now represented in seven high street stores and two department store concessions.

Elvi has developed a strong and profitable concession business and if the new format in Merry Hill proves successful, a model for the expansion of free standing stores will be available to assist the achievement of a profitable business.

Lerose has secured a record order book at this stage for 1997 and the challenge is to complete these orders on schedule and at the planned level of profit. The considerable experience of the management team provides the means to achieve this.

Mark Bunce

Chief Executive

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 Cadbury 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.

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 10 to 11.

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 The constitution and operation of the Committee is in compliance with Section A of the best practice provisions annexed to 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 1997/8. The Auditor's Report on the financial statements set out on page 32 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.

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 all meetings of the Trustees are attended by 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 Sharesave 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.

Remuneration policy for non-Executive Directors The remuneration for non-Executive Directors consists of fees for their services in connection with Board and Board Committee meetings and, where relevant, for additional services such as chairing the Board or a Board Committee or devoting additional time and expertise for the benefit of the Group. They have contracts of service, which provide for a period of notice of 6 months for either side, but are not eligible for pension scheme membership, and do not participate in any of the Group's bonus, share option or other incentive schemes. The only benefit to which they are entitled is staff discount on merchandise sold by the Group's retail divisions.

Directors' remuneration

	Base Salary and Fees £'000	Pension Contributions £'000	Other Benefits £'000	Bonus* £'000	Total Remuneration 1997 £'000	Total Remuneration 1996 £'000
M.L. Bunce	100	20	7	—	127	114
C.M. Bunce	62	12	11	—	85	101
A.J. Mills-Baker	99	20	13	10	142	104
T.L. Adam	32	—	1	—	33	31
M.I. Peacock	17	—	—	—	17	16
	310	52	32	10	404	366

£17,333 (1996-£16,000) was paid to a management service company for the provision of Mr. M.I. Peacock's services.

The reduction in Mrs C.M. Bunce's salary is due to her taking 3 months maternity leave.

*The bonus paid to Mr Andrew Mills-Baker was paid in April 1996 under the terms of the service contract entered into when he joined the Company in April 1995. No further amounts are payable under this arrangement.

Directors' interests in the shares of the Company

The interests of the directors in the shares of the company were:

	25 January 1997	27 January 1996
M.L. Bunce	2,090,000*	2,005,000*
C.M. Bunce	2,090,000*	2,005,000*
A.J. Mills-Baker	16,670	11,770
T.L. Adam	15,000	15,000
M.I. Peacock	30,000	30,000

* The shareholdings disclosed for M.L. Bunce and C.M. Bunce represent their combined shareholdings. Under the requirements of the Companies Act, 1985, directors having a joint interest shall be considered each to have that interest. This results in the inclusion of certain holdings more than once.

During the period from 25 January 1997 to 2 April 1997 there were no changes in the shareholdings of the directors.

Directors' interests in Share Options

In the year 28 January 1996 to 25 January 1997, M.L. Bunce & C.M. Bunce held no options under the Executive Share Option Scheme. Mr A.J. Mills-Baker holds options over 30,000 shares in the Executive Share Option Scheme at the 25 January 1997. These options were granted at an exercise price of £1.08 on the 4 May 1995 and are exercisable between 3 and 10 years from the date of grant.

Mr A.J. Mills-Baker also holds options over 18,055 Shares in the Savings Related Share Option Scheme. These options were granted at an exercise price of £1.08 and exercisable within 6 months of the end of the appropriate savings periods which are 5 or 7 years. No options have been granted or exercised during the period from 27 March 1996 to 2 April 1997.

Report of the Directors

The Directors have pleasure in submitting to members their annual report together with the audited accounts for the Group for the 52 weeks ended 25 January 1997.

Principal Activities

The principal activities of the Group are the design, manufacture, distribution and multiple retailing of ladies fashionwear, trading through its subsidiary companies, Country Casuals Limited and Lcrose Limited.

Financial Review and Future Developments

The profit before taxation, but after interest, for the Group amounted to £108,000. The full results for the period are shown in the accounts on pages 14 to 30 inclusive. Comments on the results and on the development of the business during the year and on the likely future developments are set out in the Chairman's Statement and the Chief Executive's Review.

Dividends and Reserves

An interim dividend of 1.70p per Ordinary share, totalling £326,000, was paid in December 1996. The Directors do not recommend the payment of a final dividend.

Annual General Meeting

The Annual General Meeting will be held at the Metropole Hotel, Edgware Road, London W2, at 12 noon on Tuesday 20 May 1997. A notice of the AGM is set out on pages 33 and 34.

Employment Policies, Communications and Involvement

The Group has an open approach to information and the involvement of employees. In the normal course of business all retail employees have access to a weekly bulletin in which operational information about the Group is published. Regular meetings are held throughout the management chain and, wherever possible, employees are encouraged to discuss and debate issues openly.

Disabled Employees

The Group gives every consideration to applications for employment from disabled persons where the requirements for the vacancy may be adequately covered by a handicapped or disabled person.

With regard to current employees who become disabled during the year, the Group has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Charitable Donations

The Group made charitable donations of £1,300 (1996 - £600) during the year.

Payment Policy

The Group places each order with a supplier on certain terms and conditions, which include terms of payment. The Group pays each supplier accordingly, subject to all the terms and conditions of the order being satisfied by such supplier.

Environmental Policy

The Group recognises the role it can play by giving a high priority to all environmental matters. It is actively seeking the best practice across all matters and concerns. It continues to actively seek information from prime raw material suppliers as to policy on the environment so that it understands the environmental side effects of its supply chain.

Directors' and Officers' Liability Insurance

The Company has taken out insurance to cover directors' and officers' liability as referred to in section 310(3)(a) of the Companies Act 1985.

Directors and their Interests

The present directors of the Company are listed on page 2. The directors listed on page 2 have all held office during the year. No director has or has had a material interest in any contract to which the Company or any subsidiary was a party during the financial year.

The director retiring by rotation at the AGM is A.J. Mills-Baker who, being eligible, offers himself for re-election.

The interests of the Directors in shares and options of the Company are set out in the Report of the Remuneration Committee on pages 10 to 11.

Major Interests in Shares

	Number	Percentage
Schroder Investment Management Ltd (non beneficial)	2,363,880	12.34
Aberforth Partners (non beneficial)	2,103,966	10.99
M L Bunce	2,090,000*	10.91
C M Bunce	2,090,000*	10.91
P D F M Ltd (non beneficial)	1,987,868	10.38
Norwich Union Group	1,539,000	8.04
Equitable Life Assurance Society	1,190,000	6.21
Montenaro Investment Management (non beneficial)	1,180,424	6.16
Lazard Brothers Asset Management (non beneficial)	1,132,350	5.91
Prudential Unit Trusts Ltd	901,114	4.71

*The shareholdings disclosed for M.L. Bunce and C.M. Bunce represent their combined shareholdings.

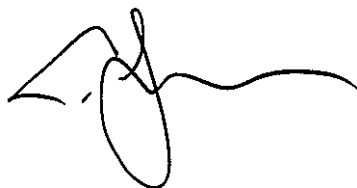
The company is not, as far as the directors are aware, a close company for taxation purposes.

Auditors

The auditors KPMG Audit Plc, have expressed their willingness to continue in office, and a resolution for their reappointment will be proposed at the annual general meeting.

By order of the Board
Andrew Mills-Baker, FCA
Secretary

2 April 1997



Consolidated Profit & Loss Account

for the 52 weeks ended 25 January 1997

	Notes	52 weeks ended 25 January 1997 Ongoing Activities Total £'000	Ongoing Activities £'000	52 weeks ended 27 January 1996 Continuing Operations Terminated Activities £'000	Exceptional* Items £'000	Total £'000
Turnover	1	54,423	52,844	1,376	—	54,220
Cost of Sales		(26,802)	(25,008)	(727)	—	(25,735)
Gross Profit		27,621	27,836	649	—	28,485
Distribution costs		20,781	19,786	1,114	450	21,350
Administrative expenses		6,483	6,141	—	646	6,787
Operating profit/(loss)	2	357	1,909	(465)	(1,096)	348
Profit/(loss) on ordinary activities before interest		357	1,909	(465)	(1,096)	348
Net interest (payable)/ receivable	4	(249)				(99)
Profit on ordinary activities before taxation		108				249
Tax on profit on ordinary activities	5	(82)				(134)
Profit on ordinary activities after taxation		26				115
Dividends	6	(326)				(1,036)
Retained loss for the period	14	(300)				(921)
Earnings per share	7	0.14p				0.60p

*See Note 1

Terminated activities for 1995/96 comprise those Elvi Stores identified for closure and now closed.

The Group has no recognised gains or losses other than the profit for the period.

Historical profits are equal to reported profits.

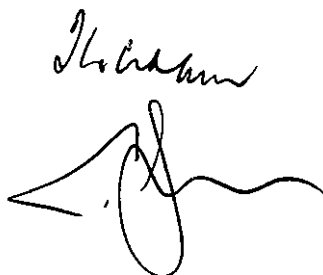
Consolidated Balance Sheet

at 25 January 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	8	6,993	6,844
Current assets			
Stocks	10	6,859	7,018
Debtors	11	5,877	6,804
Cash at bank and in hand			38
		12,736	13,860
Creditors: Amount falling due within one year	12	(7,834)	(9,441)
Bank overdraft		(929)	-
		(8,763)	(9,441)
Net current assets		3,973	4,419
Total assets less current liabilities		10,966	11,263
Net assets		10,966	11,263
Capital and reserves			
Called up share capital	13	958	957
Share premium account	14	3,465	3,463
Other reserves	14	2,467	2,467
Merger reserve	14	-	2,896
Profit and loss account	14	4,076	1,480
Equity Shareholders' Funds		10,966	11,263

The accounts were approved by the Board on 2 April 1997 and signed on its behalf by

Tom Adam
Andrew Mills-Baker
Directors



Reconciliation of Movements in Shareholders' Funds

	1997 £'000	1996 £'000
Profit for the financial period	26	115
Dividends	(326)	(1036)
Share Capital Issued	1	—
Premium on Shares Issued	2	—
Net deductions to shareholders' funds	(297)	(921)
Shareholders' funds at 27 January 1996	11,263	12,184
Shareholders' funds at 25 January 1997	10,966	11,263

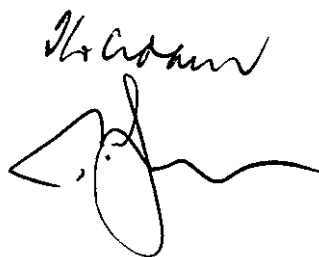
Company Balance Sheet

at 25 January 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	8	481	228
Investments	9	48	1,575
		529	1,803
Current assets			
Debtors	11	9,656	12,669
Cash at bank and in hand		—	86
		9,656	12,755
Creditors: Amounts falling due			
within one year	12	(2,606)	(3,594)
Bank overdraft		(2,525)	—
		(5,131)	(3,594)
Net current assets		4,525	9,161
Total assets less current liabilities		5,054	10,964
Net assets		5,054	10,964
Capital and reserves			
Called up share capital	13	958	957
Share premium account	14	3,465	3,463
Merger reserve	14	—	2,896
Profit and loss account	14	631	3,648
Equity Shareholders' Funds		5,054	10,964

The accounts were approved by the Board on 2 April 1997 and signed on its behalf by

Tom Adam
Andrew Mills-Baker
Directors



Consolidated Cash Flow Statement

for the 52 weeks ended 25 January 1997

	Notes	1997 £'000	1996 £'000
Net cash inflow from operating activities	15	2,310	758
Returns on investment and servicing of finance:			
Interest received		40	180
Interest paid		(303)	(226)
Dividends paid		(1,092)	(823)
Net cash outflow from returns on investments/servicing of finance		(1,355)	(869)
Taxation			
Corporation Tax (paid)/received including Advance Corporation Tax		(255)	109
Investing activities:			
Purchase of fixed assets		(1,768)	(2,036)
Sale of fixed assets		101	135
Cash outflow from investing activities		(1,667)	(1,901)
Net cash outflow before financing		(967)	(1,903)
Net decrease in cash and cash equivalents	16	(967)	(1,903)

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 28 January 1996 to 25 January 1997.

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 33⅓%
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 25 January 1997 £'000	52 weeks ended 27 January 1996 £'000
United Kingdom	53,563	53,439
Continental Europe	860	781
	54,423	54,220

(b) Analysis by activity

	Ongoing Total 1997 £'000	Ongoing £'000	Terminated £'000	Total 1996 £'000
Turnover:				
Retail-				
Country Casuals	40,642	39,069	—	39,069
Elvi	10,201	7,186	1,376	8,562
	50,843	46,255	1,376	47,631
Manufacturing	3,580	6,589	—	6,589
Total turnover	54,423	52,844	1,376	54,220
Gross profit:				
Retail-				
Country Casuals	23,157	23,550	—	23,550
Elvi	4,705	3,617	649	4,266
	27,862	27,167	649	27,816
Manufacturing	(241)	669	—	669
Total gross profit	27,621	27,836	649	28,485
Operating profit/(loss):				
Before exceptional items				
Retail-				
Country Casuals	3,066	3,531	—	3,531
Elvi	(1,589)	(1,634)	(465)	(2,099)
	1,477	1,897	(465)	1,432
Manufacturing	(1,120)	12	—	12
Total operating profit/(loss)	357	1,909	(465)	1,444

Notes to the Accounts

continued

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

	52 weeks ended 25 January 1997 £'000	52 weeks ended 27 January 1996 £'000
Exceptional items represent:		
Closure of loss making Elvi Stores	–	(450)
Net settlement of Coats Viyella claim	–	454
Bid defence costs	–	(1,100)
	–	(1,096)
Represented as:		
Distribution costs	–	(450)
Administration costs	–	(646)
	–	(1,096)
(c) Analysis of net assets by activity	1997 £'000	1996 £'000
Retail	9,089	8,323
Manufacturing	1,877	2,940
	10,966	11,263

2. Operating profit

(a) This is stated after charging/(crediting):	1997 £'000	1996 £'000
Depreciation of tangible fixed assets	1,180	1,124
Exchange gains	93	44
Operating lease rentals – Property	4,024	4,576
– Machinery	84	95
Net rental income	(326)	(302)
Government Grant	(150)	–

Fees in respect of services provided by the auditor were: statutory audit of the Group £52,500 (1996 – £50,250), other services provided by the auditor and its associate in the UK £130,500 (1996 – £224,200).

Notes to the Accounts

continued

(b) Directors' remuneration

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

	52 weeks ended 25 January 1997 Number	52 weeks ended 27 January 1996 Number
£120,001–£125,000	1	–
£105,001–£110,000	1	–
£90,001–£95,000	–	1
£85,001–£90,000	–	1
£80,001–£85,000	–	1
£70,001–£75,000	1	–
£30,001–£35,000	1	1
£15,001–£20,000	1	1

	1997 £'000	1996 £'000
Emoluments of Chairman		
—Remuneration excluding pension contributions	32	30
—Pension contributions	–	–

The emoluments (including pension contributions) of the highest paid director, were £142,000 (1996: £114,000).

Further details relating to Directors remuneration is on page 11.

3. Staff numbers and costs

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

	52 weeks ended 25 January 1997 Number	52 weeks ended 27 January 1996 Number
Retail and Distribution	1,028	980
Manufacturing	249	239
Administrative	131	124
	1,408	1,343

The staff costs for the period were:

	£'000	£'000
Wages and salaries	10,925	10,728
Social security costs	725	743
Other pension costs	221	284
	11,871	11,755

Notes to the Accounts

continued

4. Net interest (payable)/receivable

	52 weeks ended 25 January 1997 £'000	52 weeks ended 27 January 1996 £'000
Bank loans and overdrafts repayable		
– wholly within five years	(297)	(198)
	(297)	(198)
Less: Interest receivable	48	99
Net interest payable	(249)	(99)
5. Tax on profit on ordinary activities	£'000	£'000
U.K. Corporation tax at 33%	–	172
Deferred taxation	82	(12)
Over charge in previous periods	–	(26)
Net charge	82	134
6. Dividends	£'000	£'000
Ordinary shares 5p – Interim dividend of 1.70p per share (1996 – 1.41p)	326	270
– Final dividend of 0.00p per share (1996 – 4.00p)	–	766
	326	1,036

7. Earnings per share

Earnings per share is based on the profit after taxation of £26,000 (1996 – £115,000) and on the weighted average number of ordinary shares that were in issue during the period which is calculated to be 19,149,889 (1996 – 19,148,977). The dilutive effect of unexercised options on earnings per share is not material.

Notes to the Accounts

continued

8(a) Tangible fixed assets

	Freehold and Long Leasehold £'000	Short Leasehold £'000	Plant and Machinery £'000	Total £'000
Cost				
At 27 January 1996	2,247	1,764	9,047	13,058
Additions	67	–	1,474	1,541
Disposals	–	(90)	(456)	(546)
At 25 January 1997	2,314	1,674	10,065	14,053
Depreciation				
At 27 January 1996	360	779	5,075	6,214
Charge for year	64	81	1,035	1,180
Disposals	–	(31)	(303)	(334)
At 25 January 1997	424	829	5,807	7,060
Net book value				
At 25 January 1997	1,890	845	4,258	6,993
At 27 January 1996	1,887	985	3,972	6,844

8(b) Company tangible fixed assets

	Plant and Machinery £'000	Total £'000
Cost		
At 27 January 1996	680	680
Additions	343	343
Disposals	(10)	(10)
At 25 January 1997	1,013	1,013
Depreciation		
At 27 January 1996	452	452
Charge for year	90	90
Disposals	(10)	(10)
At 25 January 1997	532	532
Net book value		
At 25 January 1997	481	481
At 27 January 1996	228	228

Notes to the Accounts

continued

9. Fixed asset investments

Shares in
subsidiary
undertakings
£'000

Cost	
At 27 January 1996	11,177
At 25 January 1997	11,177
Amounts written off:	
At 27 January 1996	(9,602)
Written off during year	(1,527)
At 25 January 1997	(11,129)
Net book value:	
At 25 January 1997	48
At 27 January 1996	1,575

The Company's principal subsidiaries are shown in note 21.

10. Stocks

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Raw materials and consumables	1,206	1,247	—	—
Work in progress	549	456	—	—
Finished garments	5,104	5,315	—	—
	6,859	7,018	—	—

Notes to the Accounts

continued

11. Debtors

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Trade debtors	3,979	4,706	100	–
Amounts due from subsidiary undertakings	–	–	9,398	12,433
Other debtors	283	115	6	3
ACT and corporation tax recoverable	595	546	–	192
Prepayments and accrued income	1,020	1,437	152	41
	5,877	6,804	9,656	12,669

Included within prepayments and accrued income is £Nil (1996 – £82,000) in respect of deferred tax.

Included within the ACT and corporation tax recoverable is an amount of £Nil (1996 – £191,500) due after one year.

12. Creditors: amounts falling due within one year

	£'000	£'000	£'000	£'000
Trade creditors	2,654	3,094	141	158
Amounts due to subsidiary undertakings	–	–	2,200	2,148
Other creditors	1,832	712	105	16
Corporation tax	57	262	–	192
Other taxation and social security	1,897	1,563	52	107
Accruals and deferred income	1,394	3,044	108	207
Proposed dividend	–	766	–	766
	7,834	9,441	2,606	3,594

The bank overdraft facility, disclosed separately on the face of the balance sheet, is secured by fixed and floating charges over the assets of the Group, cross-guaranteed between the Company and its subsidiaries.

Included within accruals and deferred income is an amount of £350,000 in respect of Government grants (1996: £100,000).

Notes to the Accounts

continued

13. Share capital

	1997		1996	
	Authorised £	Called up, issued and fully paid £	Authorised £	Called up, issued and fully paid £
(a) Ordinary shares 5p each	1,300,000	957,535	1,300,000	957,448
	Number 26,000,000	Number 19,150,711	Number 26,000,000	Number 19,148,977

(b) Share options

Options granted to officers and employees and former employees (excluding directors as disclosed in page 11)

	Date of grant	No. of shares	Exercise price
Savings Related Scheme	1992 - 5 year	78,435	130p
	1992 - 7 year	112,830	130p
	1993 - 5 year	16,443	172p
	1993 - 7 year	17,680	172p
	1995 - 5 year	137,647	108p
Executive Scheme	1995 - 7 year	70,548	108p
	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 25 January 1997 to 2 April 1997.

The movements on the Share Scheme are as follows:

Number of options	Executive Scheme	Savings Related Scheme	Total
Options in issue at 27 January 1996	345,000	481,957	826,957
Options cancelled	-	(28,585)	(28,585)
Options exercised	-	(1,734)	(1,734)
Options in issue at 25 January 1997	345,000	451,638	796,638

The market price of the Company's ordinary shares at 25 January 1997 was 82p (1996 - 149p). The share price quoted for the Company during the 52 weeks ended 25 January 1997 ranged between 64p and 179p.

Notes to the Accounts

continued

14. Share premium account and reserves

Group	Share Premium Account £'000	Other Reserves £'000	Merger Reserve £'000	Profit and Loss Account £'000
At 27 January 1996	3,463	2,467	2,896	1,480
Retained loss for the period	—	—	—	(300)
Premium on shares issued	2	—	—	—
Transfer between reserves	—	—	(2,896)	2,896
At 25 January 1997	3,465	2,467	—	4,076

Company	Share Premium Account £'000	Merger Reserve £'000	Profit and Loss Account £'000
At 27 January 1996	3,463	2,896	3,648
Loss for the year	—	—	(5,913)
Premium on shares issued	2	—	—
Transfer between reserves	—	(2,896)	2,896
At 25 January 1997	3,465	—	631

15. Net cash flow from operating activities	1997 £'000	1996 £'000
Operating profit	357	348
Depreciation charged	1,180	1,124
Decrease/(Increase) in debtors	903	(355)
(Decrease)/Increase in creditors	(502)	1,466
Decrease/(Increase) in stocks	372	(1,509)
Reorganisation costs cash outflow	—	(316)
Net cash inflow from operating activities	2,310	758

16. Net decrease in cash and cash equivalents	1997 £'000	1996 £'000
Cash and cash equivalents at beginning of year	38	1,941
Net decrease in cash and cash equivalents	(967)	(1,903)
Net cash and cash equivalents at end of year	(929)	38

Notes to the Accounts

continued

17. 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 valuation was undertaken as at 6 April 1996. The actuarial valuation was carried out using the projected unit method and assumed that the investment returns would be 9% per annum and Pensionable Earnings would increase by 7% per annum on average. The valuation showed that the market value of the scheme's assets was £16,358,000 and that the actuarial value of those assets represented 123% of the benefits that had accrued to the members, after allowing for expected future increases in earnings.

The pension cost for the period was £220,000 (1996 – £284,000) after allowing for £335,000 (1996 – £126,000) in respect of the amortisation of the past service surpluses over the remaining service lives of employees. The pension provision as at 25 January 1997 included in creditors was £443,000 (1996 – £480,000).

18. Commitments

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

	Group	
	1997 £'000	1996 £'000
Authorised and contracted	20	82

(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 building expiring:

	1997 £'000	1996 £'000
Within one year	59	304
Within one to two years	–	30
Within two to five years	326	194
Over five years	3,953	3,925
	4,338	4,453
Other operating leases expiring:		
Within one year	23	13
Within two to five years	64	65
Over five years	–	8
	87	86

Notes to the Accounts

continued

19. Contingent liabilities

(a) John Shannon

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 are being 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.

(b) Government grants

The Group has received, to date, grants totalling £500,000 from the Department of Trade and Industry and Birmingham City Council.

In common with grants of this nature it is possible that a change of ownership, or failure to meet or maintain employment targets, could result in repayment of grant monies received.

20. Company profit and loss

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

The retained loss for the period for Country Casuals Holdings plc was £5,913,000 (1996 – £1,671,000 – profit).

21. 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.

Financial Highlights 1993-1997

	23 January 1993 £'000	22 January 1994 £'000	28 January 1995 £'000	27 January 1996 £'000	25 January 1997 £'000
Turnover	34,751	40,926	50,470	54,220	54,423
Operating profit—Ongoing activities	2,575	2,513	1,420	1,909	357
Terminated activities			(1,199)	(465)	—
Exceptional items			(438)	(1,096)	—
(Loss)/profit on sale of fixed assets	(35)	(48)	90	—	—
Loss on sale of operation			(870)	—	—
Profit/(loss) on ordinary activities before interest	2,540	2,465	(997)	348	357
Net interest received/(payable)	40	155	10	(99)	(249)
Profit/(loss) before taxation	2,580	2,620	(987)	249	108
Net assets	9,897	13,820	12,184	11,263	10,966

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 or loss for that period. In preparing those financial statements the Directors are required to:

- ensure suitable accounting policies are maintained consistently and applied at all times and across all areas of the Group and that any judgements or estimates made are reasonable and prudent;
- state whether applicable accounting standards have been adhered to and provide suitable disclosures and explanations in the financial statements where material departures from standards have been made;
- prepare the financial statements 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditor

We have audited the financial statements on pages 14 to 30. We have also examined the amounts disclosed relating to emoluments and share options of the directors which form part of the Remuneration Committee Report on page 10 and 11.

Respective responsibilities of the Directors and Auditor

As described on page 31 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements 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 financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 25 January 1997, 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 financial statements, we have reviewed the Directors' statement on page 8 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) & 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

Opinion

With respect to the Directors' statement on internal control on page 8 and going concern on page 9, in our opinion the Directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

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 8 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

2 April 1997

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 20 May 1997

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Country Casuals Holdings plc will be held on Tuesday 20 May 1997 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 25 January 1997 together with the report of the Directors and Auditor thereon.

Resolution 2 To re-appoint Mr A.J. Mills-Baker as a Director of the Company.

Resolution 3 To re-appoint KPMG Audit Plc as auditor 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 4 will be proposed as an ordinary resolution and number 5 will be proposed as a special resolution:

Resolution 4 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 £342,464. This authority shall expire on the next annual general meeting of the Company or on 20 August 1998 (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 5 That subject to the passing of resolution 4 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 4 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 £47,877.

This power shall expire on the date of the next annual general meeting of the Company or on 20 August 1998 (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

2 April 1997

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

Notice of Annual General Meeting

Explanatory Notes

Resolutions 4 and 5 in the notice of the Annual General Meeting constitute special business.

Resolution 4, 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 £342,464, being the remaining unissued authorised share capital which is less than 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 20 August 1998 or the conclusion of the next annual general meeting of the Company (whichever is the earlier).

Resolution 5, 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 20 August 1998 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.

COUNTRY CASUALS HOLDINGS plc

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 1997 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 re-elect Mr A.J. Mills-Baker as a Director		
3. To re-appoint KPMG Audit Plc as auditor and to authorise Directors to fix their remuneration		

Special Business

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

Signed

Dated

1997

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.

BUSINESS REPLY SERVICE
Licence No. EH 142



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

Second Fold

First Fold

Third Fold
and tuck in opposite