WYEFIELD GROUP PLC

REPORT AND ACCOUNTS

Year ended 30 June 1996

630968

Contents

Chairman's Statement

In the statement I made in May I forecasted that the results for the Group for the year would be a loss of approximately £2 million. The loss before tax for the year ended 30 June 1996 was £2,247,000 (12 months to June 1995 – profit £981,000) on turnover of £16,831,000 (12 months to June 1995 £18,123,000). In the light of the loss for the year your Board is unable to recommend the payment of a dividend (1995 – 1.0p). The reported loss is split approximately £850,000 reorganisation costs, £450,000 net deficit on property revaluation and loss on fixed asset disposals and £950,000 trading losses and interest. It is a dreadful and unacceptable result. The balance sheet, however, had net cash at 30 June 1996 of approximately £450,000 despite capital expenditure.

In February I took over as Chairman from David Harland, who I am delighted continues to have an active interest in the Group and who remains on your Board as a non-executive director. Since then there have been a number of changes. Mr Robinson has left the Group. There have also been significant changes at operating director level, in personnel, and in operating procedures both in South Wales and in Derby. All this has taken a considerable amount of hard work and I would like to thank Euan Kelway-Bamber, Roger Nilsson and the other members of the newly constructed operating Board for their tremendous commitment.

The action that has been taken this year at both Derby and South Wales has reduced the break-even point by approximately 20%. We have changed long standing manufacturing procedures. We have reshaped the sales and the design functions. A new computer system will be installed in the second half of this financial year which will streamline and considerably improve customer service and the administration and financial functions. We have restructured the export sales department. We have, in partnership with Paul Whitelocks (formerly a managing director within the Christie Tyler group), set up a new company, Quantum, whose products are manufactured in Derby and which stands alongside our two existing brands, Lincoln House and Medallion. We have also started a number of other new initiatives.

All the above changes have considerably strengthened the Group but the benefits will not be felt until 1997. The process of replacing unprofitable models is virtually complete but their legacy will continue to be felt during this financial year, but to a much lesser extent in the second half. There is no guarantee that the new models will succeed, but it can be guaranteed that they will be sold at the right margin.

In the UK the retail environment has been better in the four months to October. Medallion has shown a useful increase in turnover but Lincoln House has declined due to the immediate effects of serious alterations made to the product range. The situation in our main export market Germany continues to be very difficult but an increase in our sales to the rest of Europe has made up that shortfall. An increase in German sales would be of material benefit to the Group.

Last year the first half produced a trading loss of £491,000. The results for the first half of this year will show a significant improvement on that figure, but as stated above the benefits of all the work that has been done will not be felt until 1997. It is unlikely therefore that the Group will be in profit until the second half of this financial year. The results for the first half ending 31 December 1996 will be reported on 10 April 1997. At that stage I will be able to report on the all important trading period of January to March on which the results for this financial year largely rely.

Chairman's Statement

continued

I took over as Chairman at the beginning of this year to oversee the necessary reorganisation and to formulate a plan for the future growth of the Group. This has now been done. The reorganisation is now virtually complete and the immediate plans for the future will have been put into effect by the end of this financial year. There is little more that I can now do to influence the operating fortunes of the Group. A strong management team is now in place and I will therefore on 1 January 1997 move into the role of non-executive Chairman.

1996 has been a very painful year. I would like to sincerely thank all those working within the Group for the steadfast and optimistic way in which they have borne the problems of the last twelve months. Your Board is confident that the changes which have been undertaken and the plans that have been initiated place the Group in a strong position to succeed. That success however is now wholly dependent on the designs and model ranges and how they perform in the market place.

Preston Rabl
Chairman

13 November 1996

Directors & Advisers

Directors	P M C Rabl *(Chairman)* D W R Harland *(Non-Executive Director)* E G Kelway-Bamber *(Executive Director)* R F Nilsson *(Executive Director)*
Secretary	R F Nilsson
Registered Office	29 Ludgate Hill London EC4M 7NH
Registered No.	630968
Auditors	KPMG 5 Stuart Street Derby DE1 2EQ
Bankers	Midland Bank PLC 1 St James Court Friargate Derby DE1 1BT
Financial Advisers	Close Brothers Limited 12 Appold Street London EC2A 2AA
Registrars	Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NQ
Solicitors	Theodore Goddard 150 Aldersgate Street London EC1A 4EJ
Stockbrokers	Peel, Hunt & Co Limited 62 Threadneedle Street London EC2R 8HP

Directors' Report

The directors present their report and the accounts for the year ended 30 June 1996.

Principal activities
The Group designs, manufactures and distributes upholstered furniture.

Results
The results for the year are set out on page 10. The loss attributable to shareholders is £2,247,000 (1995 £871,000 profit), which is approximately 12% higher than forecast in May due to increased restructuring costs. Following the change in 1994 of the Group's accounting reference date from 31 December to 30 June, the last audited accounts covered the eighteen month period to 30 June 1995. Unless otherwise stated, information in this report and the accounts shown as "1995" relates to the eighteen month period to 30 June 1995. To allow comparison to be made of the results for the Group's new financial year, an additional pro-forma column is shown in the consolidated profit and loss account on page 10. This is based on the unaudited management accounts and shows the results for the 12 months to 30 June 1995.

Comments on the results for the year and on the outlook are contained in the Chairman's statement on page 1.

Dividend
The directors do not recommend the payment of a dividend (1995 1.0p).

Directors
The present directors are shown on page 3. Preston Rabl, David Harland and Roger Nilsson have been directors throughout the year under review. Anthony Robinson, who was director at the start of the financial year, resigned on 7 February 1996. Euan Kelway-Bamber was appointed on 7 February 1996.

The only non-executive director is David Harland. He is a chartered accountant, aged 46, who has specialised for the last fifteen years in the re-organisation and development of a number of companies, both public and private. He joined the Board of the Company in 1988 and is also a director of Fairway Group PLC and a non-executive director of The Mayflower Corporation PLC.

Directors' interests in the Group's share capital are set out in Note 23.

No director has or has had any material interest in any contract of significance in relation to the Group.

Substantial shareholdings
Interests in excess of 3% in the issued ordinary share capital appearing in the register of members at 13 November 1996 were:

Royal London Asset Management (Nominees) Limited	9.0%
Bahrain Middle East Bank	8.5%
Railways Pension Trustee Company Limited	7.2%
Legal & General Investment Management Limited	7.1%
Pennine Special Situations Trust	6.7%
Sun Life UK Small Companies Fund	4.7%
P M C Rabl	4.6%
A L Robinson	3.7%
HTR Unit Trust (Special Situations Fund)	3.3%

Employment policies
The Group recognises the importance of good communications and relations with its employees. The Group is organised on a decentralised basis and employee participation practices are appropriate to each company's needs. Employees are kept informed of, and express their views on, activities which are likely to affect their interest, typically through line management.

It is the policy of the Group that disabled people are given the same opportunity for employment, training and progression as other employees, dependent only on their skills and abilities.

Charitable and political contributions
During the period the Group made donations to charity totalling £3,000 (1995 £3,000). No political contributions were made.

Creditor payment policy
It is Group policy that each business should agree appropriate terms and conditions for its transactions with suppliers and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

Stock market settlement system
A new computerised system for settling sales and purchases of shares, called CREST, was launched in July 1996. It is a voluntary system which will enable shareholders, if they wish, to hold and transfer their shareholdings electronically rather than by paper. Shareholders who wish to retain their share certificates or buy and sell their holdings in the same way as they do now will be able to do so.

Under the Uncertificated Securities Regulations 1995 (the "Regulations"), which give effect to CREST, the directors are authorised to enable trading in the Company's shares to be settled in that system by Board resolution, provided the appropriate notice has been given to shareholders. The effect of the resolution is to disapply those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of the Company's shares in electronic form in CREST or any other system.

This is therefore to give you notice in accordance with the Regulations that on 13 November 1996, the Company resolved by a resolution of its directors that title to the ordinary shares of 20p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors will become effective immediately prior to CRESTCo Limited granting permission for the shares concerned to be transferred by means of the CREST system. Once permission has been granted, the Company's shares will enter CREST. It is anticipated that this will occur in February 1997.

Auditors
Our auditors KPMG have indicated that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the Company.

Annual General Meeting
Set out on page 22 is the Notice of the Annual General Meeting to be held on 17 January 1997. The special business to be conducted at that meeting comprises two resolutions. Resolution 5 will, if passed, extend for approximately one year the authority given to the directors at previous General Meetings to allot shares up to a maximum of the unallotted share capital of the Company. Resolution 6 is the customary Special Resolution which is proposed annually to renew the directors' limited authority under Section 95 of the Companies Act 1985 to allot shares other than on a pre-emptive basis up to a maximum aggregate amount representing five per cent of the allotted share capital of the Company.

Approved by the Board on 13 November 1996 and signed on its behalf by

R F Nilsson R. F. Nilsson
Secretary

The Board of directors' primary responsibility is to the Company's shareholders, while at the same time having regard to the Group's staff, the community and the environment.

The Board, which consists of three executive and one non-executive director, meets monthly and at other times as appropriate to review strategic, operational and financial matters. The executive directors meet on a more regular basis and are in continual discussion with operational management to ensure business objectives are achieved.

The Company has, throughout the year, complied with the Cadbury Committee's Code of Best Practice with the following exceptions:

Code provisions 1.3, 2.3 and 2.4.
"The Board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions".

"Non-executive directors should be appointed for specific terms and reappointment should not be automatic".

"Non-executive directors should be selected through a formal process and their appointment should be a matter for the Board as a whole".

In view of the present size of the Company it is not yet considered appropriate to appoint additional non-executive directors. Future appointments will be made through a formal process and for specified terms.

Code provision 4.3
"The Board should establish an audit committee of at least three non-executive directors with written terms of reference which deal clearly with its authority and duties."

This requirement of the Code will be complied with when the requisite number of non-executive directors has been appointed.

Internal financial control
The Board of directors has overall responsibility for, and has reviewed, the Group's system of internal financial control. Although no such system can provide absolute protection against material misstatement or loss, it is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. Key procedures that have been established can be described under the following headings:

- Organisational structure – the Group has a management structure designed to establish the shortest possible lines of communication with operating subsidiaries. Operating subsidiaries hold review meetings monthly which are attended by at least one member of the Wyefield Board.
- Financial reporting – the Group has a comprehensive system for reporting and monitoring the performance of each operating unit on a regular basis. Budgets are prepared at the individual operating unit level and, following central review, are formally adopted by the Board. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. Key performance indicators are prepared on a daily, weekly or monthly basis as appropriate to each individual company and these are monitored and reviewed by directors with local management during regular site visits.
- Control over treasury functions – a number of the Group's key functions including financing, taxation, insurance and treasury policy are dealt with centrally. These are closely monitored by the Finance Director, who reports on a regular basis 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.

Corporate Governance

continued

The auditors, KPMG, have confirmed that in their opinion: with respect to the directors' statements on internal financial control and going concern on page 6, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which the auditors are aware from their audit work on the financial statements; and that the directors' statement on page 6 appropriately reflects the Company's compliance with the other paragraphs of the Cadbury Code of Best Practice specified in the Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them 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.

Report of the Remuneration Committee

Remuneration Committee

The Committee consists solely of the one non-executive director, Mr Harland. He has no personal financial interests (other than as a shareholder) in the matters to be decided, no conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business. The Committee consults the Chairman about its proposals and has access when required to professional advice outside the Company.

Remuneration policy

Remuneration packages of the executive directors are designed to attract, motivate and retain directors of the high calibre needed to maintain the Company's position in the market place and to reward them for enhancing value to shareholders. The Remuneration Committee, in assessing levels of remuneration, may from time to time seek professional advice, take account of data published by leading compensation consultancy bodies and give consideration to such factors as prevailing market conditions and the underlying financial performance of the business.

The elements of the remuneration package for executive directors consist of the following:

- salaries (including benefits and pension contributions)
- bonuses
- share options

Salaries

In deciding the appropriate salary levels, the Committee takes into consideration a number of factors as described in the remuneration policy of the Company and takes into account each director's experience, responsibility and market value; salaries are pensionable and are reviewed annually. Salaries for the executive directors were not increased during the year – there was one decrease. Benefits in kind include, inter alia, car and health care.

Bonuses

Bonus payments, which are non-pensionable, are granted to reward meritorious performance. There is currently no formal bonus entitlement.

Share options

Share options were granted to the executive director appointed during the year sufficient to align his interest with those of the shareholders. Full details of directors' share options are shown on Note 23.

Report of the Remuneration Committee

continued

Pensions

The executive directors and certain senior managers are members of the Executive Pension Scheme. This is a money purchase scheme set up in July 1995 with fixed levels of contribution, payable by each member and by the Company. The total cost in the year of contributions in respect of the executive directors was £27,000. Additionally, life assurance cover of up to four times insurable earnings is provided by a Group life assurance scheme.

Contracts

All directors have service contracts, terminable by a notice period not exceeding one year. There are no provisions for pre-determined compensation on termination.

Non-executive director

The remuneration of the non-executive director is determined by the Board. Non-executive directors are not eligible to participate in the Company's share option or pension scheme.

Details of directors' remuneration and share options

Full details of all elements in the remuneration package of each director are given in Note 7 to the accounts. Details of executive directors' share interests, including share options, are given in Note 23 to the accounts. The information contained in these Notes forms a part of this report.

D W R Harland
Remuneration Committee Chairman

13 November 1996

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss for that period. In preparing these accounts, the directors confirm that they have:

a) selected suitable accounting policies and applied them consistently;
b) made judgements and estimates that are reasonable and prudent;
c) followed applicable accounting standards; and
d) prepared the accounts on a going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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 Auditors

To the members of Wyefield Group PLC

We have audited the accounts on pages 10 to 21, with the exception of the information recorded under the column headed "12 months ended 30 June 1995 (unaudited)" in the consolidated profit and loss account on page 10.

Respective responsibilities of directors and auditors
As described on page 8 the Company's directors are responsible for the preparation of 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 30 June 1996 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
Derby

13 November 1996

Consolidated Profit and Loss Account

Notes		12 months ended 30 June 1996 (audited) £000	12 months ended 30 June 1995 (unaudited) £000	18 months ended 30 June 1995 (audited) £000
2	**Turnover from continuing operations**	**16,831**	18,123	22,450
3	Operating costs	**(18,888)**	(17,151)	(21,344)
	Operating (loss)/profit of continuing operations			
	Trading (loss)/profit	**(898)**	972	1,106
	Restructuring costs	**(855)**	—	—
	Property revaluation deficit	**(304)**	—	—
	Operating (loss)/profit before exceptional costs	**(2,057)**	972	1,106
	Exceptional costs			
	Loss on disposal of fixed assets	**(150)**	—	—
	(Loss)/profit before interest	**(2,207)**	972	1,106
4	Interest (net)	**(40)**	9	6
5	**(Loss)/profit on ordinary activities before tax**	**(2,247)**	981	1,112
8	Tax on profit on ordinary activities	**—**	(241)	(241)
9	**(Loss)/profit attributable to shareholders**	**(2,247)**	740	871
10	Dividends	**—**	(253)	(253)
19	**(Loss)/profit after dividends**	**(2,247)**	487	618
11	**Earnings per share before restructuring, revaluation deficit and exceptional costs**	**(3.7)p**	3.1p	4.3p
11	**Earnings per share after restructuring, revaluation deficit and exceptional costs**	**(8.9)p**	3.1p	4.3p
	Dividend per share	**Nil**	1.0p	1.0p

There is no material difference between the results disclosed above and the equivalent results prepared on an historical cost basis.

Consolidated Cash Flow Statement

Notes		12 months ended 30 June 1996 £000	12 months ended 30 June 1996 £000	18 months ended 30 June 1995 £000	18 months ended 30 June 1995 £000
24	**Net cash (outflow)/inflow from operating activities**		**(53)**		1,029
	Returns on investments and servicing of finance				
	Interest received	**10**		81	
	Interest paid	**(50)**		(75)	
	Dividend paid	**(127)**		(126)	
			(167)		(120)
	Tax paid		**(222)**		(358)
	Investing activities				
	Sale of tangible fixed assets	**56**		1	
	Purchase of tangible fixed assets	**(309)**		(311)	
	Purchase of subsidiary undertaking	**—**		(7,097)	
			(253)		(7,407)
	Net cash outflow before financing		**(695)**		(6,856)
	Financing				
	Issue of ordinary share capital (net of costs)	**—**		7,513	
	Repayment of term loans	**(133)**		(200)	
	Repayment of capital element of finance leases	**(14)**		(31)	
			(147)		7,282
26	**(Decrease)/increase in cash and cash equivalents**		**(842)**		426

Statement of Total Recognised Gains and Losses

	12 months ended 30 June 1996 £000	18 months ended 30 June 1995 £000
(Loss)/profit attributable to shareholders	(2,247)	871
Deficit on property revaluation charged to revaluation reserve	(300)	—
Total recognised gains and losses	(2,547)	871

Reconciliation of Movements in Shareholders' Funds

Notes		12 months ended 30 June 1996 £000	18 months ended 30 June 1995 £000
	(Loss)/profit on ordinary activities after tax	(2,247)	871
10	Dividends	—	(253)
	(Loss)/profit after dividends	(2,247)	618
	New share capital subscribed		
	Shares issued (net of costs)	—	7,513
	Consideration for acquisition	—	1,134
	Goodwill written off on acquisition	—	(7,265)
	Revaluation reserve written off	(300)	—
	Net (decrease)/increase in shareholders' funds	(2,547)	2,000
	Opening shareholders' funds	5,429	3,429
	Closing shareholders' funds	2,882	5,429

Balance Sheets

Notes		Group 30 June 1996 £000	Group 30 June 1995 £000	Company 30 June 1996 £000	Company 30 June 1995 (restated) £000
	Fixed assets				
12	Tangible assets	**1,887**	2,615	**1,231**	1,887
13	Investments	**—**	—	**9,743**	9,743
		1,887	2,615	**10,974**	11,630
	Current assets				
14	Stocks	**1,521**	1,781	**—**	—
15	Debtors	**2,495**	2,828	**754**	718
	Cash	**646**	1,488	**27**	806
		4,662	6,097	**781**	1,524
16	**Creditors due within one year**	**(3,605)**	(3,025)	**(509)**	(754)
	Net current assets	**1,057**	3,072	**272**	770
	Total assets less current liabilities	**2,944**	5,687	**11,246**	12,400
16	**Creditors due after more than one year**	**(62)**	(258)	**(62)**	(254)
	Net assets	**2,882**	5,429	**11,184**	12,146
	Capital and reserves				
18	Called up share capital	**5,059**	5,059	**5,059**	5,059
19	Share premium account	**6,155**	6,155	**6,155**	6,155
19	Revaluation reserve	**—**	300	**—**	300
19	Goodwill reserve	**(7,265)**	(7,265)	**—**	—
19	Other reserves	**557**	557	**557**	557
19	Profit and loss account	**(1,624)**	623	**(587)**	75
	Equity shareholders' funds	**2,882**	5,429	**11,184**	12,146

The Company balance sheet at 30 June 1995 has been restated (see Note 13).

Approved by the Board on 13 November 1996
and signed on its behalf by:

P M C Rabl, *Chairman*

R F Nilsson, *Finance Director* R. F. Nilsson

Accounting Policies

1 Basis of accounting

The Group financial statements are prepared in accordance with applicable Accounting Standards and consolidate the financial statements of the Company and its subsidiary undertakings, the principal of which are listed in Note 13.

The financial statements of all subsidiary undertakings are made up to 30 June and are prepared under the historical cost convention, adjusted by the revaluation of certain land and buildings. The results of businesses acquired during the year are included in the Group financial statements from the date of acquisition.

2 Goodwill

Net tangible assets are appraised at the date of acquisition and are included in the financial statements at their fair values. The difference between the cost of businesses acquired and the fair value of the separable net assets at the date of acquisition is transferred to the goodwill reserve.

On disposal of a business the attributable purchased goodwill is included, where separately identifiable, in determining the profit or loss on sale and is transferred out of the goodwill reserve.

3 Turnover

Turnover represents the amounts invoiced to customers outside the Group and excludes VAT.

4 Depreciation

Depreciation is calculated to write down the cost or valuation of fixed assets to their estimated residual values in annual instalments over their anticipated useful economic lives as follows:

Freehold buildings	2%
Leasehold property	Over the life of the lease
Plant and equipment	10% - 25%

Freehold land is not depreciated.

5 Stocks

Raw materials, work in progress and finished goods are valued at the lower of cost, including attributable overhead expenditure, and net realisable value.

6 Research and development

Expenditure on research and development is written off as incurred.

7 Leases

Certain items of plant, equipment and vehicles may be financed by leasing arrangements which give rights that approximate to ownership. These are included in the balance sheet as fixed assets at cost less depreciation and the capital element of future rentals is treated as a liability. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments included in creditors.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

8 Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction or, where applicable, at the contracted rate. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, where applicable, at the contracted rate. Differences on exchange arising in the ordinary course of trading are included in operating profit.

9 Deferred tax

No provision is made nor asset recognised for deferred taxation unless there is a reasonable probability that the liability will crystallise in the foreseeable future.

10 Pension commitments

The Group contributes to various Inland Revenue approved money purchase schemes to provide retirement benefits for a number of its employees. The various schemes are separately administered by trustees. It is the present policy to maintain the current level of contributions to the schemes but there is no commitment to provide target benefits based on members' salaries or any other formula. Contributions are charged against profits in the year in which they arise.

Notes

1 Change in accounting reference date

Following a change in the Group's accounting reference date in 1994 from 31 December to 30 June , these accounts cover the twelve month period to 30 June 1996. The comparative figures relate to the eighteen months to 30 June 1995. Unless otherwise stated, information in these Notes shown as '1995' relates to the eighteen month period to 30 June 1995.

2 Analysis of results

The directors consider that the Group has a single activity. All turnover and profits originate from operations in the United Kingdom. A geographical analysis of the Group's turnover by market destination is shown below.

	1996	1995
	£000	£000
UK	**11,329**	16,125
Rest of EU	**5,187**	6,032
Rest of World	**315**	293
	16,831	22,450

3 Operating costs

	1996				1995
	Total	**Restructuring**	**Revaluation Deficit**	**Trading**	Trading
	£000	**£000**	**£000**	**£000**	£000
Cost of sales	**(10,651)**	**(71)**	**—**	**(10,580)**	(13,325)
Distribution	**(1,083)**	**—**	**—**	**(1,083)**	(1,303)
Administration	**(7,154)**	**(784)**	**(304)**	**(6,066)**	(6,716)
	(18,888)	**(855)**	**(304)**	**(17,729)**	(21,344)

The restructuring costs include lease termination costs (£100,000). The Group's land and buildings were valued at £1,200,000 in June 1996 (see Note 12). The deficit of £604,000 against net book value resulted in the elimination of the revaluation reserve of £300,000 created at the last revaluation, with the balance of £304,000 being charged in the profit and loss account.

Gross profit was £6,180,000 (1995 £9,125,000).

4 Interest (net)

	1996	1995
	£000	£000
Receivable — on bank deposits	**10**	81
Payable — on bank overdrafts	**(10)**	(6)
— on bank loans repayable within five years	**(39)**	(62)
— finance lease charges	**(1)**	(7)
	(40)	6

5 (Loss)/profit on ordinary activities before tax

	1996	1995
	£000	£000
This is stated after charging:		
Depreciation — assets subject to finance leases	**(12)**	(38)
— owned assets	**(215)**	(284)
Loss on sale of tangible fixed assets	**—**	(6)
Other amounts written off tangible fixed assets	**(304)**	—
Operating leases rentals — land and buildings	**(320)**	(569)
— plant and equipment	**(240)**	(88)
Research and development	**(459)**	(430)
Auditors — audit fee	**(32)**	(25)
— fees for non-audit services	**(24)**	(13)

6 Employees

The average number of employees during the year was:

	1996	1995
	Number	Number
Production and sales	**312**	269
Administration	**42**	33
	354	302

The average number shown for 1995 reflects the inclusion of Medallion Upholstery employees for only part of the eighteen month period, following its acquisition in August 1994. The average number of employees in the year to 30 June 1995, assuming Medallion had been a subsidiary undertaking for the whole period, was 377.

6 Employees *(continued)*

The aggregate payroll costs were:	1996 £000	1995 £000
Wages and salaries	**4,881**	5,592
Social security costs	**417**	504
Other pension costs	**87**	23
	5,385	6,119

7 Directors' remuneration

Emoluments

The total emoluments of the directors were:	1996 £000	1995 £000
Fees to non-executive director	**15**	22
Emoluments to executive directors	**245**	300
	260	322
Pension costs	**27**	3
	287	325

The emoluments of the directors are determined by the remuneration committee, the membership of which is currently the one non-executive director. Directors' service contracts are terminable by a notice period not exceeding one year. None of the directors was entitled to a performance incentive.

The emoluments, excluding pension contributions, of the directors in the twelve month period to 30 June 1996 (1995 eighteen months) fell within the following ranges:

	Number of directors	
	1996 (12 months)	1995 (18 months)
£110,001 — £115,000	—	1
£85,001 — £90,000	**1**	—
£80,001 — £85,000	**1**	—
£70,001 — £75,000	—	1
£55,001 — £60,000	—	1
£50,001 — £55,000	—	1
£35,001 — £40,000	**2**	—
£20,001 — £25,000	—	1
£10,001 — £15,000	**1**	—
£0 — £5,000	—	1

Remuneration of directors:

The remuneration, excluding pension contributions, of DWR Harland and PMC Rabl during their periods as Chairman were £9,000 and £30,000 respectively (1995 £22,000). The remuneration, excluding pension contributions, of the directors in the year to 30 June 1996 is made up as follows:

	Salary and fees (12 months) £000	Performance Bonus (12 months) £000	Taxable Benefits (12 months) £000	Total 1996 (12 months) £000	Total 1995 (18 months) £000
P M C Rabl	**70**	—	**12**	**82**	114
D W R Harland	**15**	—	—	**15**	22
E G Kelway-Bamber	**26**	**11**	**2**	**39**	—
R F Nilsson	**75**	**3**	**9**	**87**	54
A L Robinson	**29**	—	**8**	**37**	74
Former directors	—	—	—	—	58
	215	**14**	**31**	**260**	322

Pension contributions totalling £27,000 (1995 £3,000) were paid in respect of PMC Rabl (£11,000), EG Kelway-Bamber (£4,000) and RF Nilsson (£12,000).

Information concerning directors' share options is given in Note 23.

8 Tax

There is no tax charge in the year (1995 £241,000) as a result of the loss incurred nor in respect of the exceptional items disclosed in the profit and loss account. No deferred tax has been provided.

9 (Loss)/profit attributable to shareholders

The Company has not presented its own profit and loss account, as permitted by Section 230 of the Companies Act 1985. The loss for the year in the accounts of the Company, after dividends from subsidiaries, amounted to £662,000 (1995 £500,000 profit).

10 Dividends

	1996		1995	
	Per share	**£000**	Per share	£000
Interim	**Nil**	—	0.50p	(126)
Final (proposed)	**Nil**	—	0.50p	(127)
	Nil	—	1.00p	(253)
Equivalent gross dividend (including associated tax credit)	**Nil**		1.25p	

11 (Loss)/earnings per share

	1996	1995
(Loss)/profit attributable to shareholders	**(£2,247,000)**	£871,000
Number of shares in issue (weighted average)	**25,295,753**	20,363,192
(Loss)/earnings per share	**(8.9)p**	4.3p

In order to provide a more relevant comparison, 1995 has been restated to reflect a 12 month period (based on the unaudited accounts for the year to 30 June 1995) and (loss)/earnings per share has been calculated based on the (loss)/profit attributable to shareholders before restructuring, revaluation deficit and exceptional costs:

	Year ended 30 June	
	1996	1995
(Loss)/profit attributable to shareholders before restructuring, revaluation deficit and exceptional costs	**(£938,000)**	£740,000
Number of shares in issue (weighted average)	**25,295,753**	24,209,431
(Loss)/earnings per share	**(3.7)p**	3.1p

The weighted average number of shares have been restated, where appropriate, to reflect the consolidation and subdivision in ordinary shares of 20p.

12 Tangible fixed assets

Group	**Freehold land and buildings £000**	**Short leasehold property £000**	**Plant and equipment £000**	**Total £000**
Cost or valuation:				
At 1 July 1995	2,044	557	1,939	4,540
Additions	—	14	295	309
Disposals	—	(481)	(666)	(1,147)
Revaluation deficit	(844)	—	—	(844)
At 30 June 1996	**1,200**	**90**	**1,568**	**2,858**
Depreciation:				
At 1 July 1995	203	346	1,376	1,925
Charge in the period	37	14	176	227
On disposals	—	(331)	(610)	(941)
Eliminated on revaluation	(240)	—	—	(240)
At 30 June 1996	—	**29**	**942**	**971**
Net book value:				
At 30 June 1995	1,841	211	563	2,615
At 30 June 1996	**1,200**	**61**	**626**	**1,887**

12 Tangible fixed assets *(continued)*

Company	**Freehold land and buildings £000**	**Short leasehold property £000**	**Plant and equipment £000**	**Total £000**
Cost or valuation:				
At 1 July 1995	2,044	—	67	2,111
Additions	—	—	1	1
Revaluation deficit	(844)	—	—	(844)
At 30 June 1996	**1,200**	—	**68**	**1,268**
Depreciation:				
At 1 July 1995	203	—	21	224
Charge in the period	37	—	16	53
Eliminated on revaluation	(240)	—	—	(240)
At 30 June 1996	—	—	**37**	**37**
Net book value:				
At 30 June 1995	1,841	—	46	1,887
At 30 June 1996	**1,200**	—	**31**	**1,231**

The historical cost of the freehold land and buildings is £1,744,000, including capitalised interest of £60,000 in relation to the purchase of the property and its refurbishment. Of this, the cost of the freehold land was £200,000. The land and buildings were valued at £1,200,000 in June 1996 by external valuers, Innes England, on an open market existing use basis, thereby eliminating the revaluation reserve of £300,000 with the remainder of the revaluation deficit of £304,000 being charged in the profit and loss account in the year. The valuation was made in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. The written down value on an historic cost basis was £1,541,000 (1995 £1,576,000). The Group has no assets which are subject to finance leases (1995 £15,000).

13 Investments in subsidiary undertakings

Company	**1996 £000**	1995 £000
Cost of shares	**5,433**	5,433
Provision	**(4,000)**	(4,000)
	1,433	1,433
Loan	**8,310**	8,310
	9,743	9,743

The principal trading subsidiaries, Lincoln House (Furnishings) Limited and Medallion Upholstery Limited, are wholly-owned. Both manufacture and distribute upholstered furniture and operate in Great Britain.

In addition to the shareholdings there is a loan due from a subsidiary undertaking, Wyefield Furniture Holdings Limited, of £8,310,000. This loan has no fixed repayment date and is regarded as having the nature of a long-term investment in subsidiaries. The 1995 balance sheet shown on page 13 has been restated to reflect this, the loan having previously been shown as a debtor.

14 Stocks

	Group		**Company**	
	1996 £000	1995 £000	**1996 £000**	1995 £000
Raw materials and consumables	**1,191**	1,438	—	—
Work in progress	**132**	140	—	—
Finished goods and goods for resale	**198**	203	—	—
	1,521	1,781	—	—

15 Debtors

	Group		**Company**	
Due within one year:	**1996 £000**	1995 £000	**1996 £000**	1995 £000
Trade debtors	**2,194**	2,323	—	—
Amounts owing by subsidiary undertakings	—	—	**680**	641
Other debtors	**153**	124	**74**	67
Prepayments and accrued income	**148**	381	—	10
	2,495	2,828	**754**	718

16 Creditors due within one year

	Group		Company	
	1996	1995	**1996**	1995
	£000	£000	**£000**	£000
Term loans	**125**	133	**125**	125
Obligations under finance leases	**—**	10	**—**	—
Trade creditors	**1,865**	1,512	**28**	18
Amounts owing to subsidiary undertakings	**—**	—	**—**	409
Corporation tax	**—**	222	**—**	—
Social security and other taxes	**242**	262	**39**	6
Other creditors	**563**	466	**109**	40
Proposed dividends	**—**	127	**—**	127
Accruals and deferred income	**810**	293	**208**	29
	3,605	3,025	**509**	754

Creditors due after more than one year

	Group		Company	
	1996	1995	**1996**	1995
Term loans	**£000**	£000	**£000**	£000
Between one and two years	**62**	125	**62**	125
Between two and five years	**—**	62	**—**	62
	62	187	**62**	187
Obligations under finance leases				
Between one and two years	**—**	4	**—**	—
Other creditors	**—**	67	**—**	67
	62	258	**62**	254

Term loans include an ECSC loan of £187,000 repayable in quarterly instalments which commenced in February 1994. The interest rate is 10% per annum and the loan is secured by a mortgage on the freehold property, by a charge over the stock, debtors and other assets of the Group and by a cross guarantee given by the Company and one of its operating subsidiaries.

17 Provisions for liabilities and charges

No provision has been made for any actual or potential liability to deferred tax. At 30 June 1996 there was an unprovided tax asset of £650,000 (1995 £200,000) relating to losses brought forward and timing differences.

18 Called up share capital

	1996	1995
	£000	£000
Authorised		
34,102,671 Ordinary shares of 20p each	**6,821**	6,821
Issued and fully paid		
25,295,753 Ordinary shares of 20p each	**5,059**	5,059

Under the Company's Executive Share Option Scheme, the following share options have been granted and were outstanding at 30 June 1996:

Exercisable between:	**Exercise price**	**Number**
December 1996 and December 2003	60.5p	262,500
December 1997 and December 2004	48.0p	200,000
February 1998 and February 2005	46.0p	45,000
February 1999 and February 2006	21.0p	175,000
March 1999 and March 2006	20.0p	75,000
		757,500

19 Reserves

	Share premium account	Revaluation reserve	Goodwill reserve	Other reserve	Profit and loss account
Group	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 July 1995	6,155	300	(7,265)	557	623
Revaluation reserve written off	—	(300)	—	—	—
Retained loss for the year	—	—	—	—	(2,247)
At 30 June 1996	**6,155**	**—**	**(7,265)**	**557**	**(1,624)**
Company					
At 1 July 1995	6,155	300	—	557	75
Revaluation reserve written off	—	(300)	—	—	—
Retained loss for the year	—	—	—	—	(662)
At 30 June 1996	**6,155**	**—**	**—**	**557**	**(587)**

The goodwill reserve represents the reserve for the elimination of goodwill arising on acquisitions. The cumulative goodwill set off against reserves at 30 June 1996 totalled £7,710,000 of which £445,000 has been written off against the profit and loss account in earlier years. The other reserve is an undistributable reserve for the purposes of Section 264 of the Companies Act 1985 save that it may be applied for the same purposes as if it were a share premium account or to set against goodwill arising on consolidation.

20 Commitments under operating leases

Operating lease rentals due during the next year are under commitments expiring:

	1996		1995	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Within one year	**6**	**63**	21	38
Between one and five years	**22**	**51**	7	162
After five years	**199**	**—**	284	—
	227	**114**	312	200

21 Contingent liabilities

The Company and its subsidiaries have entered into cross guarantees to secure the Group's borrowing facility. Agreements with certain overseas agents include, on any termination, the right to compensation based on commission earned in the period immediately preceding termination. It is not considered likely that any material liability will crystallise in the foreseeable future.

22 Pension schemes

The Group operated during the period certain defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £87,000 (1995 £23,000).

23 Directors interests in shares and options

The interests of the directors in office at 30 June 1996 in the ordinary share capital of the Company were as follows:

	30 June 1996 Ordinary shares of 20p		30 June 1995 Ordinary shares of 20p	
	Fully paid	**Options**	Fully paid	Options
P M C Rabl	**1,159,175**	**200,000**	659,175	375,000
D W R Harland	**602,675**	**—**	310,175	—
E G Kelway-Bamber (appointed 7 February 1996)	**15,000**	**205,000**	—	—
R F Nilsson	**141,250**	**200,000**	41,250	200,000

At the time of his appointment as a director, E G Kelway-Bamber held options on 30,000 shares.

At 30 June 1996, directors were the beneficial holders of all shares listed, except for 280,050 of PMC Rabl's shares which were owned by a trust established by him under which his family are beneficiaries. No changes in directors' interests took place between 30 June 1996 and 13 November 1996.

23 Directors interests in shares and options *(continued)*

Details of share options held by directors in office at 30 June 1996 are as follows:

	Held on 1 July 1995	Relinquished in period	Granted in period	**Held on 30 June 1996**	**Exercise price (pence)**	**Net Value £000**
P M C Rabl	375,000	(175,000)	—	**200,000**	**60½**	**Nil**
D W R Harland	—	—	—	—	—	—
E G Kelway-Bamber	30,000	—	—	**30,000**	**46**	**Nil**
E G Kelway-Bamber	—	—	175,000	**175,000**	**21**	**Nil**
R F Nilsson	200,000	—	—	**200,000**	**48**	**Nil**

The market price of the Company's shares at 30 June 1996 was 13p. The range during the year was 31p to 13p.

The closing price of the Company's shares on 30 June 1996 was below the exercise prices of all options held. Therefore the options had a 'nil' net value at that date. The earliest dates that options held by P M C Rabl, E G Kelway-Bamber and R F Nilsson become exercisable are December 1996, February 1998, and December 1997 respectively. The latest dates for exercise are 2003, 2006 and 2004 respectively. No options were exercised during the year.

The above options may only be exercised if the growth in the Company's earnings per share exceeds inflation by more than 5% over the three year period immediately preceding the proposed exercise.

24 Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	1996 £000	1995 £000
Operating (loss)/profit	**(2,057)**	1,106
Depreciation	**227**	322
Loss on disposal of fixed assets	—	6
Other amounts written off tangible fixed assets	**304**	—
Decrease/(increase) in stocks	**260**	(174)
Decrease in debtors	**333**	105
Increase/(decrease) in creditors	**880**	(336)
Net cash (outflow)/inflow from operating activities	**(53)**	1,029

25 Analysis of changes in financing during the period

	Capital		**Loans & finance leases**	
	1996 £000	1995 £000	**1996 £000**	1995 £000
At 1 July 1995	**11,771**	10,795	**334**	545
Reduction in share capital	—	(7,671)	—	—
Shares issued for non-cash consideration on acquisition of subsidiary	—	1,134	—	—
Shares issued for cash	—	7,513	—	—
Loans and finance lease repayments	—	—	**(147)**	(231)
Subsidiary acquired — loans	—	—	—	20
At 30 June 1996	**11,771**	11,771	**187**	334

26 Analysis of changes in cash and cash equivalents

	1996 £000	1995 £000
At 1 July 1995	**1,488**	1,062
Changes in the period	**(842)**	426
At 30 June 1996	**646**	1,488

The above balances are represented by cash at bank and in hand.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Wyefield Group PLC will be held at 29 Ludgate Hill, London EC4M 7NH on 17 January 1997 at 10.30am to transact the following business:

Ordinary business

1. To receive and adopt the report of the directors and the accounts for the year ended 30 June 1996 together with the auditors' report.
2. To re-elect Mr P M C Rabl as a director.
3. To re-elect Mr E G Kelway-Bamber as a director.
4. To appoint KPMG Audit Plc as auditors and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, to pass the following Resolutions which will be proposed as to Resolution 5 as an Ordinary Resolution and as to Resolution 6 as a Special Resolution.

Ordinary resolution

5. That the directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 immediately upon the passing of this Resolution to exercise all of the powers of the Company to allot relevant securities (as defined in sub-Section (2) of the said Section 80) up to an aggregate nominal amount of £1,761,383 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company 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 hereby had not expired.

Special resolution

6. That pursuant to Section 95 of the Companies Act 1985 the directors be and are hereby empowered to allot equity securities (as defined by Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by Resolution 5 as if section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited

   (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion (as nearly as may be reasonably practicable in the circumstances having regard to fractional entitlements or legal or practical problems arising on the laws of or requirements of any regulatory body, stock exchange or similar authority in any territory) to their holdings; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £252,958 and shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the day which is 15 months from the passing of this Resolution, 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 conferred hereby had not expired.

By order of the Board
R F Nilsson
Secretary

13 November 1996

Registered Office:
29 Ludgate Hill
London EC4M 7NH

Notes:

1. Every member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
2. Forms of Proxy must be lodged with Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ no later than 10.30am on 15 January 1997. Completion of a Form of Proxy will not preclude shareholders from attending and voting at the meeting in person.
3. Copies of the directors' service contracts, the register of directors' shareholdings and transactions in the shares of the Company will be available for inspection at the registered office of the Company during normal business hours on any weekday from the date of this Notice to the date of the Annual General Meeting and at the place of the Meeting during and for 15 minutes prior to the Meeting.

Form of Proxy

For use by the holders of ordinary shares of 20p each at the Annual General Meeting to be held on 17 January 1997.

I/We ____
(PLEASE COMPLETE IN BLOCK CAPITALS)

of ____

____

being a member/members of Wyefield Group PLC hereby appoint the Chairman of the Meeting or (see Note 5)

____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 17 January 1997 and at any adjournment thereof.

	FOR	AGAINST
ORDINARY RESOLUTION No. 1		
ORDINARY RESOLUTION No. 2		
ORDINARY RESOLUTION No. 3		
ORDINARY RESOLUTION No. 4		

SPECIAL BUSINESS

ORDINARY RESOLUTION No. 5		
SPECIAL RESOLUTION No. 6		

Signature ______________________ Date ______________

Notes:

1. Please indicate with an x how you wish your vote to be cast in respect of each of the above resolutions. In the absence of any specific direction, the proxy will vote or abstain at his/her discretion.
2. In the case of joint holders the vote of the first named holder on the Register of Members, whether voting in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders in respect of the joint holding.
3. Corporations should affix their common seal or have it signed by a duly authorised officer or attorney.
4. To be valid this form and the power of attorney or other authority (if any) under which it is signed must reach the Registrar at Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ no later than 10.30am on 15 January 1997.
5. If you wish to appoint a person of your own choosing as your proxy you should enter his/her full name in the space provided and delete the words 'the Chairman of the Meeting'. Such proxy need not be a member of the company.
6. Completion of this form will not preclude a member from attending and voting at the meeting in person if he/she so wishes.

SECOND FOLD

Affix
Stamp
Here

Independent Registrars Group Limited
Balfour House
390/398 High Road
Ilford
Essex
IG1 1NQ

FIRST FOLD

THIRD FOLD AND TUCK IN