7 2 9 6 7

UPTON & SOUTHERN HOLDINGS plc

Report and Financial Statements 1996

UPTON & SOUTHERN HOLDINGS plc

Report and Financial Statements

for the year ended 27 July 1996

Registered No: 318267

CONTENTS **Page**

UPTON & SOUTHERN HOLDINGS plc

Directors and Advisers

DIRECTORS	R.C. Trenter	Chairman and Chief Executive
	I.W. Steven, C.A.	Finance Director
	S.J. Barclay, F.C.A.	Non-Executive Director
	T.W. Stevenson, M.A. (Cantab.)	Non-Executive Director (Appointed 1 January 1996)

COMPANY SECRETARY	I.W. Steven, C.A.
AUDITORS	Coopers & Lybrand Hadrian House, Newcastle upon Tyne NE1 8BP.
REGISTRARS	Independent Registrars Group Limited Balfour House, 398 High Road, Ilford, Essex IG1 1NQ.
BANKERS	Bank of Scotland 41-51 Grey Street, Newcastle-upon-Tyne NE1 6EE.
STOCKBROKERS	Townsley & Co. 44 Worship Street, London EC2A 2JT.
SOLICITORS	Nabarro Nathanson 50 Stratton Street London W1X 6NX Metcalfe Copeman & Pettefar Cage Lane, Thetford Norfolk IP24 2DT.
REGISTERED OFFICE	175 Linthorpe Road Middlesbrough, Cleveland TS1 4AJ.

CHAIRMAN'S REVIEW

This review covers the year ended 27 July 1996, the first full year since my appointment as Chairman on 15 March 1995.

I am very pleased to report that the Group has made a profit before tax of £307,000 on sales of £8.954 million compared with a loss last year of £9.590 million on sales of £30.396 million. This is the first time the Group has reported a profit since 1989.

The improvement in performance for the year demonstrates the benefits of action taken following my appointment when the Board determined the need to concentrate on improving the Uptons core department store business. We disposed of or terminated all non core businesses by 19 September 1995 and this gave rise to a profit of £64,000.

E. Upton & Sons PLC, which operated from three department stores and three smaller stores in the North East of England, produced a like for like sales increase of 5.6% for the year, an increase in gross margins of just over half a per cent and a significant decrease in its cost base.

Uniquegrid Limited, which owns certain of the Group's properties, sold a loss making high street store in Redcar on 7 June 1996 and purchased a small department store in the city centre of Newcastle which commenced trading on 15 July 1996.

At the year end we had cash balances of £1.275 million and a core business producing a positive cash flow. Our cash resources are more than adequate to fund the fitting out of a new 30,000 sq. ft. flagship store in the Middleton Grange Shopping Centre in Hartlepool, which is due to open in time for Christmas, to refurbish the newly acquired Newcastle store and to provide for increased working capital requirements. We are actively looking for further stores in the North East of England to grow the business organically and opportunities for expansion by acquiring other retail businesses.

The first dividend on the 5p (gross) Convertible Preference Shares issued on 18 September 1995, in respect of the period to 28 January 1996, was paid on 30 April 1996 and the second dividend, for the half year to 27 July 1996, falls due for payment on 31 October 1996 to holders registered on 1 October 1996. At this stage in the Group's recovery the Directors feel it is not appropriate to recommend the payment of a dividend in respect of the Ordinary Shares.

Steps have been taken during the year to strengthen and improve the management team and increase their accountability. This has included a full review of senior management and the introduction of a graduate trainee management programme to provide managers for future expansion. In this year of critical change we have demanded increased levels of responsibility and accountability from all our management and staff. The response has been very positive and on behalf of the Board and shareholders I wish to thank them all for their continued loyalty and commitment.

The Board has been strengthened by the appointment of Mr. Tim Stevenson, a lawyer experienced in the retail sector, as a Non-Executive Director on 1 January 1996. Mr. John Upton resigned as a Director on 2 February 1996. The Board extends their thanks and appreciation to Mr. Upton for his 36 years of loyal service to the Group.

Sales in the first eleven weeks of the new year are 13 per cent ahead of last year on a like for like basis, and margins have also shown improvement. As always the Christmas trading period is crucial. We believe that improvements already made across a wide range of business and functional areas will lead to a satisfactory outcome for the year.

We have now achieved our first objective by returning the Company to profitability and have made a start on the second by increasing our store portfolio which will lead to further growth and improved shareholder returns in due course. I look forward to reporting further progress in my next half review in March 1997.

RONALD C. TRENTER
Chairman
28 October 1996

Upton &
Southern

UPTON & SOUTHERN HOLDINGS plc
DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year (52 weeks) ended 27 July 1996.

TRADING RESULTS AND REVIEW OF ACTIVITIES

The principal activity of the Group during the year was the retailing of clothing, furniture and household goods through department stores situated in the North East of England.

The Chairman's Review on pages 2 and 3, contains a detailed account of the activities of the Group including a statement on recent and future developments.

The trading results for the year ended 27 July 1996 are set out in the consolidated profit and loss account on page 14.

DIVIDENDS

The Directors have declared or now recommend the following dividends in respect of the year ended 27 July 1996:

	£'000
Preference dividend paid 30 April 1996	25
Preference dividend payable 31 October 1996	35
	60

DIRECTORS

Mr. R.C. Trenter, 52, was appointed Executive Chairman on 15 March 1995. Mr. Trenter is a former Chairman and Chief Executive of Texas Homecare Ltd. with over 30 years of retailing experience including the management, development and growth of a major business.

Mr. I.W. Steven, 46, has been Group Finance Director since 21 March 1994. Mr. Steven is a Chartered Accountant with over 15 years experience in the financing and accounting for retail and leisure related businesses.

Mr. S.J. Barclay, 54, was appointed a Non-Executive Director on 30 September 1994. Mr. Barclay is a Chartered Accountant and a Director of a number of companies including Clifton Financial Associates plc, a Member of the Securities and Futures Authority. He has extensive experience in the management of a broad section of service oriented companies including retailing. Mr. Barclay is Chairman of the Audit Committee and the Remuneration Committee.

Mr. T.W. Stevenson, 45, was appointed a Non-Executive Director on 1 January 1996. Mr. Stevenson is a solicitor and a senior partner in the firm of Metcalfe, Copeman & Pettefar. He has extensive experience in legal matters relating to the retail trade.

Mr. J.E. Upton was Managing Director of the Group's retail subsidiary, E. Upton & Sons plc until he resigned as a Director on 2 February 1996.

Mr. J.C. Hodkinson was appointed Non-Executive Chairman in January 1993. He resigned as Chairman on 15 March 1995 on Mr. Trenter's appointment and resigned as a Director on 30 September 1995.

In accordance with the Articles of Association, the appointment of Mr. T.W. Stevenson, who became a Director on 1 January 1996, falls to be confirmed at the Annual General Meeting. The Director retiring by rotation is Mr. S.J. Barclay, who, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The interests of the Directors who held office as at 27 July 1996 are disclosed in the report of the Remuneration Committee on pages 7 to 9.

SHARE CAPITAL

Movements in share capital are included in note 20 to the Balance Sheet.

At the Annual General Meeting held on 5 December 1995, a special resolution was approved to confer on Directors an authority to allot relevant securities pursuant to Section 80 of the Companies act 1985 ("The Act") and the power to allot equity securities as if Section 89(1) of The Act did not apply. This authority and power expires on the conclusion of the Annual General Meeting. Accordingly, at the Annual General Meeting resolutions will be proposed to extend the power and authority until whichever is the earlier of the conclusion of the next Annual General Meeting or the date following 15 months from the date of the passing of the resolution. The Directors have no current intention of exercising the authority to allot relevant securities.

SUBSTANTIAL SHARE INTERESTS

As at 21 October 1996 the Company had been notified of the following interests in its issued share capital and warrants:

	Ordinary Shares of 0.5p	Warrants	50p Convertible Preference Shares
GFM International Investors Ltd.	30,000,000	3,000,000	940,207
Uberior Trading Limited	19,063,774	1,906,377	-

As far as the Directors are aware, no other person held 3% or more of the shares in issue.

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to give a full and fair consideration to the employment and promotion of disabled persons where they appear suitable, having regard to their particular aptitudes and abilities.

EMPLOYEE INVOLVEMENT

The Company has well established communications and consultation procedures with all employee groups. These continually evolve to meet the changing needs of the business and are considered valuable by both management and staff.

CREDITOR PAYMENT POLICY

It is the Group's policy to agree terms of payment with its suppliers at the point of placing orders for goods and services and to abide by these terms.

CHANGES TO ARTICLES OF ASSOCIATION

The Uncertificated Securities Regulations 1995 were introduced on 19 December 1995. These established the legal framework for the CREST settlement system which began operation in August and allows shares to be transferred in electronic form rather than in paper.

The CREST system means that settlement periods are shorter. CREST is a voluntary system and will enable shareholders to hold and transfer their shares in electronic form if they so wish. CREST offers active shareholders the option of sponsored membership, enabling them to hold their shares in their own name in electronic form while authorising an intermediary who is a CREST member to operate the membership on their behalf. Such shareholders will continue to have a direct relationship with the Company just as if they continued to retain certificates. Shareholders who wish to retain their certificates will be able to do so and should notice no difference in the way they currently buy and sell shares. Your Directors consider that admission to CREST is in the best interests of the Company.

The present Articles of Association of the Company only allow for a paper based system of holding and transferring shares and other securities and, in the case of Convertible Preference Shares only allow for a paper based system of conversion and redemption of such shares.

The most straightforward way to rectify this situation is for the Company to adopt new Articles of Association which allow for the electronic holding, transmission and conversion of shares. This will permit initial entry to CREST although it is likely that further amendments will be necessary once settlement via CREST has become established.

In addition, the opportunity is being taken to conform the Articles of Association to current practice and to reflect recent changes in the London Stock Exchange listing requirements. The maximum permitted fees in aggregate that may be paid to Non-Executive Directors will also be increased from £25,000 to £50,000 per annum.

A summary of the main changes included in the new Articles of Association (which require shareholders' approval) is set out below:-

Article 3B - Convertible Preference Shares
The proposed amendments allow for conversion to be effected by members of the Company who hold Convertible Preference Shares in uncertificated form, allowing a conversion notice to be given in such cases in the form of a properly authenticated dematerialised instruction under the CREST system.

Article 11A - Uncertificated Shares
The proposed new Article allows for shares and other securities of the Company to be issued, held and transferred in uncertificated form in accordance with the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272) and allows the Directors to lay down regulations in this respect.

Article 85 - Directors
The proposed amendment increases the maximum permitted fees that may be paid to Non-Executive Directors to £50,000 per annum in aggregate from £25,000 per annum.

A Special Resolution will be proposed at the AGM to adopt the new Articles and an Ordinary Resolution will be proposed to ratify the payment of £27,083 to the Non-Executive Directors in the year ended 27 July 1996 and £34,619 in respect of the year ended 29 July 1995.

These resolutions have no other substantive effect on the rights of shareholders and the Directors recommend that they be passed.

AUDITORS

A resolution to reappoint Coopers & Lybrand as auditors will be proposed at the Annual General Meeting.

Registered Office:
175 Linthorpe Road,
Middlesbrough,
Cleveland. TS1 4AJ

By Order of the Board
I.W. STEVEN
Secretary
28 October 1996

UPTON & SOUTHERN HOLDINGS plc
REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises the Company's two Non-Executive Directors, Mr. S.J. Barclay, who acts as Chairman, and Mr. T.W. Stevenson, and the Executive Chairman, Mr. R.C. Trenter.

The remuneration of Executive Directors and other senior Executives of the Group is determined by this Committee. In issues relating to his own remuneration, Mr. Trenter takes no part in discussions and decisions.

In determining the appropriate levels and the form of remuneration, the Committee takes into account the size and complexity of the Group, the seniority of the role being fulfilled, market conditions and the calibre and experience of the individual manager.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-Executive Directors receive a fee for their services which is agreed by the Board following recommendation by the Chairman with the assistance of independent advice concerning comparable organisations and appointments.

Non-Executive Directors are appointed initially on a fixed two year contract and thereafter on a year to year basis.

Mr. T.W. Stevenson's contract expires on 31 December 1997. Mr. S.J. Barclay's contract expires on 29 September 1997.

REMUNERATION OF EXECUTIVE DIRECTORS

The Remuneration Committee convenes formally once a year to consider and set the remuneration of Executive Directors and additionally as required to take into account changes in circumstances.

There are currently no bonus schemes or long term incentive schemes in place for the Company's two Executive Directors.

The Company has an Executive Share Option Scheme but no share options were granted to Executive Directors under the scheme this year. Options granted to Executive Directors and approved by shareholders at an EGM held on 18 September 1995 are detailed on page 9.

There is no pension scheme currently in operation for Executive Directors. A contribution equal to 10 per cent of gross pay is payable to Mr. Trenter's personal pension fund in accordance with the terms of his service contract. Each of the Executive Directors has a contract of service which is subject to 12 months notice to terminate by either party.

The Committee reviews each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances taking care to ensure that poor performance is not rewarded.

DIRECTORS DETAILED EMOLUMENTS

	1996					1995	
	Salary and Fees	Benefits	Compensation for loss of office	Pension Contribution	Total	Total	Pension Contribution
	£	£	£	£	£	£	£
Executive							
R.C. Trenter	**72,083**	-	-	**7,383**	**79,466**	39,875	3,625
I.W. Steven	**49,833**	-	-	-	**49,833**	84,000	-
J.E. Upton	**20,058**	**7,316**	**30,000**	**17,231**	**74,605**	41,485	3,825
Non-Executive							
S.J. Barclay	**15,000**	-	-	-	**15,000**	12,500	-
T.W. Stevenson	**8,750**	-	-	-	**8,750**	-	-
J.C. Hodkinson	**3,333**	-	-	-	**3,333**	20,000	-
Former Directors							
J.N. Gould	-	-	-	-	-	100,595	8,333
A.A. Jones	-	-	-	-	-	2,119	-
	169,057	**7,316**	**30,000**	**24,614**	**230,987**	300,574	15,783

The 1995 total includes the pension contributions listed above.

The fees shown above as payable to Mr. S.J. Barclay were paid to Clifton Financial Associates plc, which provided the services of Mr. Barclay as a Non-Executive Director of the Company. Mr. Barclay is a Director of Clifton Financial Associates plc and during the year the company received fees of £10,000 for financial advisory services (1995 : £115,000).

Mr. T.W. Stevenson is a senior partner in Metcalfe Copeman & Pettefar, a firm of solicitors who have provided legal services to the Group during the year. The cost of these services amounted to £42,169 (1995 : £nil).

There were no other contracts subsisting at the end of the financial year in which a Director of the Company was materially interested.

INTERESTS IN SHARES

The interests of the Directors of the Company at 27 July 1996 and 29 July 1995 (or date of appointment if later), in the share capital of the Company were as follows:

	27 July 1996			29 July 1995		
	Ordinary Shares of 0.5p	**Warrants**	**Preference Shares of 50p**	Ordinary Shares of 5p	Warrants	Preference Shares of £1
R.C. Trenter	**-**	**-**	**50,000**	-	-	-
I.W. Steven	**402,497**	**40,249**	**4,024**	402,497	-	-
S.J. Barclay	**-**	**-**	**-**	-	-	-
T.W. Stevenson	**100,000**	**-**	**-**	-	-	-

Apart from the interests disclosed above, which are all beneficially held, no Directors were interested at any time in the year in the share capital of the Company or other Group Companies.

There has been no change in the interests set out above between 27 July 1996 and 21 October 1996.

INTERESTS IN SHARE OPTIONS

Details of options held by Directors are set out below:

	Number of Options					Market Price on Day of Exercise	Date from which Exercisable	Expiry Date
	30/07/95	Granted in the Year	Exercised in the Year	**27/07/96**	Exercise Price			
Ordinary Shares of 0.5p								
R.C. Trenter	4,000,000		-	**4,000,000**	5p	-	24/05/98	23/05/2005
	-	4,600,000	-	**4,600,000**	3p	-	19/09/96	19/09/2002
	4,000,000	4,600,000	-	**8,600,000**				
I.W. Steven	500,000	-	-	**500,000**	30p	-	21/03/94	31/12/97
	-	750,000	-	**750,000**	3p	-	19/09/96	19/09/2002
	500,000	750,000	-	**1,250,000**				

The first grant of options to Mr. Trenter relating to 4,000,000 shares at 5p per share was made under the Executive Share Option Scheme on 23 May 1995. The second grant of options relating to 4,600,000 shares at 3p per share was made on 18 September 1995. These latter options are exercisable subject to the middle market price, as defined from the daily official list of the London Stock Exchange, being not less than 4.5p for the twenty dealing days proceeding the date of exercise. The grant of 750,000 options to Mr. Steven on 18 September 1995 are subject to the same exercise terms.

No other Directors have been granted share options in the shares of the Company or other Group Companies.

The market price of the Company's shares at the end of the financial year was 3.5p and the range of market prices during the year was between 1.75p and 3.75p.

S.J. BARCLAY
Chairman of the Remuneration Committee
28 October 1996

UPTON & SOUTHERN HOLDINGS plc
CORPORATE GOVERNANCE

The Company complied throughout the period with all the provisions of the Cadbury Committee's Code of Best Practice except that it did not have the recommended minimum number of Non-Executive Directors which is three. The Company is presently a small company and one additional Non-Executive Director was added during the year making two in total. Additional appointments will be made when appropriate.

BOARD OF DIRECTORS

The Board currently comprises the Executive Chairman, who is also the Chief Executive, the Group Finance Director, who is also the Company Secretary, and two Non-Executive Directors. Until his resignation on 2 February 1996, the Board also included the Managing Director of the Group's main trading subsidiary. It is the Board's intention to appoint a replacement who will, in due course, be appointed to the Company's Board.

The Board meets ten times a year and additionally when necessary, and has adopted a schedule of matters specifically reserved to itself for decision. The Board has set up an Audit Committee and Remuneration Committee with fixed terms for reference set by the Board. Each of these committees is chaired by a Non-Executive Director. In addition to the formal Board meetings referred to above, the Executive Directors meet weekly to monitor and guide the Group's performance.

All Directors have access to the advice and service of the Company Secretary and the Board has an agreed procedure whereby any Director, in the furtherance of his duties, may take independent professional advice at the Company's expense.

INTERNAL FINANCIAL CONTROL

The Board of Directors has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness.

The full Board meets regularly and reviews, on an annual cycle, reports on each key business area and function presented by the Executive responsible. The Group has in place a management structure with clearly defined lines of responsibility and delegated authority. The Board of the Group's main subsidiary meets monthly and copies of the minutes of those meetings are reviewed by the Company's Board. Any significant matters and identified risks are closely examined so that appropriate action is taken.

The Audit Committee has direct access to the external auditors and to management and specifically reviews the half year and full year financial statements, and the nature and scope of the external audit. The external auditors report to the Audit Committee on any issues arising from their audit which they believe are significant and any issues so reported are closely examined and appropriate action taken.

The annual operating and budgeting plans for each operating area of the Group are reviewed by the relevant Managing Directors prior to submission to the Board for approval. Each month a report of performance against budget is produced together with a forecast of future performance. Each operating area is responsible for the maintenance of financial controls and procedures appropriate to its own business to provide reasonable but not absolute assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the systems of internal financial control for the period up to the date of signature of these financial statements.

GOING CONCERN

Following a detailed review of the Group's budget and business plan the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis for the preparation of financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 27 July 1996. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board
I.W. STEVEN Ian W. Steven
Secretary
28 October 1996

UPTON & SOUTHERN HOLDINGS plc
REPORT OF THE AUDITORS TO THE MEMBERS OF UPTON & SOUTHERN HOLDINGS plc

We have audited the financial statements on pages 14 to 36.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 11, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 Company'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 at 27 July 1996 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

28 October 1996

UPTON & SOUTHERN HOLDINGS plc
REPORT BY THE AUDITORS TO UPTON & SOUTHERN HOLDINGS plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the Directors' statement on pages 10 and 11 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange ("the Code"). The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

BASIS OF OPINION

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial controls or its corporate governance procedures, nor on the ability of the Company or Group to continue in operational existence.

OPINION

With respect to the Directors' statements on internal financial controls on pages 10 and 11, and going concern on page 11, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 10 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

28 October 1996

Upton & Southern

UPTON & SOUTHERN HOLDINGS plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 27 July 1996

	Notes	1996 £'000	1995 £'000
TURNOVER	2		
Continuing Operations		**8,954**	8,481
Discontinued Operations		**-**	21,915
TOTAL TURNOVER		**8,954**	30,396
Cost of sales	3	**(7,530)**	(29,273)
GROSS PROFIT		**1,424**	1,123
Other operating expenses	3	**(1,069)**	(4,308)
OPERATING PROFIT/(LOSS)			
Continuing Operations		**355**	(154)
Discontinued Operations		**-**	(3,031)
TOTAL OPERATING PROFIT/(LOSS)		**355**	(3,185)
Profit/(loss) on termination of Discontinued Operations including goodwill previously written off to reserves	4	**64**	(6,055)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		**419**	(9,240)
Interest receivable and similar income	5	**74**	123
Interest payable and similar charges	6	**(186)**	(473)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	**307**	(9,590)
Taxation on ordinary activities	9	**(15)**	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		**292**	(9,590)
Dividends (including other appropriation in respect of non-equity shares)	10	**(60)**	(109)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	23	**232**	(9,699)
EARNINGS/(LOSS) PER SHARE	11	**0.14p**	(8.03p)

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year as stated above, and their historical cost equivalent.

UPTON & SOUTHERN HOLDINGS plc
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £'000	1995 £'000
Profit/(loss) for the financial year	**292**	(9.590)
Unrealised surplus on revaluation of properties	**29**	-
Total gains and losses recognised since last annual report	**321**	(9,590)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit/(loss) for the financial year	**292**	(9,590)
Dividends (including other appropriation in respect of non-equity shares)	**(60)**	(109)
	232	(9,699)
New share capital (net of expenses)	**1,570**	5,351
Goodwill transferred to the profit and loss account in respect of discontinued operations	**126**	5,480
Goodwill acquired during the year	**(291)**	-
Non-equity appropriation added to reserves	**-**	109
Surplus on revaluation of properties	**29**	-
Net addition to shareholders' funds	**1,666**	1,241
Opening shareholders' funds	**40**	(1,201)
Closing shareholders' funds	**1,706**	40

UPTON & SOUTHERN HOLDINGS plc
BALANCE SHEETS
at 27 July 1996

	Notes	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
FIXED ASSETS					
Tangible Assets	12	**3,423**	997	-	-
Investments	13	-	-	**1,036**	1,025
		3,423	997	**1,036**	1,025
CURRENT ASSETS					
Stocks and Work in Progress	14	**1,017**	1,547	-	-
Debtors	15	**409**	300	**20**	912
Investments	16	**8**	558	-	-
Cash at Bank and in Hand		**1,275**	488	**1,044**	206
		2,709	2,893	**1,064**	1,118
CREDITORS: Amounts falling due within one year	17	**(1,816)**	(1,802)	**(231)**	(634)
NET CURRENT ASSETS		**893**	1,091	**833**	484
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,316**	2,088	**1,869**	1,509
CREDITORS: Amounts falling due after more than one year	18	**(2,336)**	(1,398)	-	(890)
		1,980	690	**1,869**	619
PROVISIONS FOR LIABILITIES AND CHARGES	19	**(274)**	(650)	**(113)**	(433)
NET ASSETS		**1,706**	40	**1,756**	186
CAPITAL AND RESERVES					
Called up Share Capital	20	**1,736**	8,517	**1,736**	8,517
Share Premium Account	23	**20**	5,409	**20**	5,409
Other Reserves	23	**(291)**	-	-	-
Revaluation Reserve	23	**29**	-	-	-
Profit and Loss Account	23	**212**	(13,886)	-	(13,740)
TOTAL SHAREHOLDERS' FUNDS		**1,706**	40	**1,756**	186
Analysis of Shareholders' Funds					
Equity shareholders' funds		**833**	(960)	**883**	(814)
Non-equity shareholders' funds		**873**	1,000	**873**	1,000
		1,706	40	**1,756**	186

The financial statements on pages 14 to 36 were approved by the Board of Directors on 28 October 1996 and were signed on its behalf by:

Director: R.C. Trenter

Director: I.W. Steven

UPTON & SOUTHERN HOLDINGS plc
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 27 July 1996

	Notes	1996 £'000	1995 £'000
NET CASH OUTFLOW from			
Operating activities	26	(96)	(3,791)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(25)	-
Interest received		74	123
Interest paid		(186)	(473)
NET CASH OUTFLOW from returns on investments and servicing of finance		(137)	(350)
TAXATION			
Advance corporation tax paid		(6)	-
INVESTING ACTIVITIES			
Purchase of subsidiary	21	(11)	-
Sale of subsidiary (1996 : Disposal expenses)	22	(10)	1,845
Purchase of tangible fixed assets		(582)	(1,223)
Sale of tangible fixed assets		178	37
NET CASH (OUTFLOW)/INFLOW from investing activities		(425)	659
NET CASH OUTFLOW before financing		(664)	(3,482)
FINANCING			
Issue of shares		1,746	6,019
Expenses of share issue		(176)	(668)
Loans raised		210	-
Repayment of loans		(291)	(77)
Repayment of principal under finance leases		(38)	(27)
NET CASH INFLOW from financing		1,451	5,247
INCREASE IN CASH AND CASH EQUIVALENTS	26	787	1,765

UPTON & SOUTHERN HOLDINGS plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 27 July 1996

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

BASIS OF CONSOLIDATION

(a) The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 27 July 1996. The results of subsidiaries sold and acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

(b) On acquisition of a subsidiary, all of the subsidiary assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

(c) No profit and loss account is presented for the Company, in accordance with the exemption allowed by section 230 of the Companies Act 1985. The parent Company's profit for the financial year was £60,000 (1995 : a loss of £8,865,000).

GOODWILL

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

TANGIBLE FIXED ASSETS

Leasehold and freehold properties are shown at historical cost or subsequent valuation. Other fixed assets are shown at cost.

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

It is Group policy to maintain freehold properties in such condition that their value is not diminished by the passage of time and the relevant expenditure is charged to the profit and loss account in the year in which it is incurred. The Directors consider that the lives of these assets are so long and the residual values, based on prices prevailing at the date of acquisition or valuation, are so high that any element of depreciation is immaterial. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

Depreciation on other assets is calculated so as to write off the historical cost or subsequent valuation of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned:

Short leasehold property and improvements	-	Over the shorter of the life of the lease, or the period to the expected date of surrender or termination of the lease agreement, on a straight line basis.
Fixtures and fittings	-	10% - 20% per annum on cost.
Motor Vehicles	-	25% per annum on written down value.
Television sets on rental	-	20% per annum on cost.

LEASES

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Rental income from audio visual equipment leased under operating leases is recognised on a straight line basis over the lease term.

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

INVESTMENTS

Current asset investments which are unlisted are stated at the lower of cost or Directors' valuation. Properties held for resale, which are included within current asset investments, are stated at the lower of cost and expected net proceeds of disposal.

Other fixed asset investments are stated at cost less provision for any permanent diminution in value.

STOCKS AND WORK IN PROGRESS

Stocks of goods for resale are stated at the lower of cost and net realisable value.

Work in progress is stated at the lower of cost and net realisable value. Cost includes attributable overheads, less any progress payments received. Attributable overheads include interest payable where this can be specifically identified as relating to the work in progress concerned.

TURNOVER

Turnover represents the amount receivable (net of VAT, rebates, discounts and intra-Group transactions) from cash sales, credit sales and service and rental charges.

DEFERRED INCOME

Deferred income represents inducements received to enter into leases and contributions received from landlords on certain new premises, wholly attributable to structural alterations and the purchase of capital assets. The full amounts of both types of receipt have been classified in the balance sheet as deferred income and are amortised over the term to the first rent review in equal annual instalments.

PENSIONS

The Group operates a number of defined contribution funded pension schemes for the benefit of certain employees. The costs of the pension schemes are charged to the profit and loss account as incurred.

2. SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

The analysis by class of business of the Group's turnover, which is derived entirely within the United Kingdom, profit/(loss) before taxation and net assets/(liabilities) is set out below. The 1996 figures relate entirely to the Group's retail business.

	1996		1995	
		Retail	Property	Total
	£'000	£'000	£'000	£'000
Turnover				
Continuing	**8,954**	8,481	-	8,481
Discontinued	**-**	21,915	-	21,915
Total	**8,954**	30,396	-	30,396
Profit/(loss) on ordinary activities before taxation				
Continuing	**657**	76	-	76
Discontinued	**64**	(2,829)	(84)	(2,913)
Acquisitions	**(155)**	-	-	-
Total	**566**	(2,753)	(84)	(2,837)
Central costs	**(259)**			(698)
Write off of investments	**-**			(6,055)
	(259)			(6,753)
Profit/(loss) on ordinary activities before taxation	**307**			(9,590)

The acquisition of Uniquegrid Limited during the year had no impact on Group turnover. The acquisition had the effect of decreasing profit on ordinary activities before taxation by £155,000, being interest payable on bank loans acquired with the Company.

	1996		1995	
		Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000
Net operating assets/(liabilities)				
Retail	**4,195**	787	(399)	388
Property	**-**	-	1,173	1,173
	4,195	787	774	1,561
Loans	**(2,489)**	(145)	(1,376)	(1,521)
	1,706	642	(602)	40

Net operating assets/(liabilities) includes fixed assets, stocks and creditors arising on operating activities.

The acquisition of Uniquegrid Limited during the year had the effect of decreasing net assets at the year end by £215,000.

3. COST OF SALES AND OTHER OPERATING EXPENSES

	1996	1995		
		Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000
COST OF SALES	**7,530**	7,313	21,960	29,273
OTHER OPERATING EXPENSES				
Distribution costs	**231**	235	610	845
Selling and marketing costs	**233**	231	828	1,059
Administration expenses	**605**	856	1,548	2,404
	1,069	1,322	2,986	4,308

4. PROFIT/(LOSS) ON TERMINATION OF DISCONTINUED OPERATIONS

	1996	1995
	£'000	£'000
Profit on disposal of subsidiary	**190**	(575)
Goodwill previously written off to reserves	**(126)**	(5,480)
	64	(6,055)

On 22 August 1995 the Southern & City Group, other than Southern & City (Project Management) Limited was placed into creditors voluntary liquidation. On 19 September 1995 Southern & City (Project Management) Limited was sold by the liquidator of its holding company for £1. The 1995 figures relate to The Reject Shop PLC which was placed into receivership on 19 May 1995.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996	1995
	£'000	£'000
Rental income	**9**	82
Bank deposit interest	**65**	41
	74	123

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£'000	£'000
On bank loans, overdrafts and other loans repayable within 5 years	**176**	81
On hire purchase contracts and finance leases	**10**	13
Mortgage interest	**-**	45
Reject Shop interest costs	**-**	334
	186	473

7. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £'000	1995 £'000
The profit/(loss) on ordinary activities before taxation is stated after crediting:		
Rent receivable (net of expenses)	**9**	95
Amortisation of deferred income	**-**	771
and after charging:		
Depreciation and amounts written off tangible fixed assets:		
Owned assets (continuous operations)	**229**	226
Assets held under finance leases (continuous operations)	**14**	39
Depreciation on discontinued operations	**-**	603
Loss on disposal of tangible fixed assets	**10**	20
Operating lease rentals:		
Land and buildings	**217**	315
Other	**10**	16
Discontinued operations	**-**	3,332
Auditors' remuneration:		
Audit work (company £7,500; 1995 : £7,500)	**25**	23
Loss on closure of Reject Shop (note 4)	**-**	6,055

Remuneration of the Company's Auditors for provision of non-audit services to the Company and its subsidiary undertakings was £20,000 (1995 : £145,000, including £135,000 in connection with the Company's November 1994 share issue).

8. STAFF COSTS

The average number of full time equivalent persons (including Directors) employed by the Group during the year was as follows:

	1996 Number	1995 Number
Distribution	**16**	16
Sales and related services	**107**	104
Administration	**27**	25
Continuous operations	**150**	145

	1996 £'000	1995 £'000
Staff costs (for the above persons)		
Wages and salaries	**1,538**	1,780
Social Security costs	**108**	106
Pension costs (note 25)	**49**	37
Continuous operations	**1,695**	1,923
Wages and Salaries for discontinued operations	**-**	3,567
	1,695	5,490

8. STAFF COSTS (cont'd)

The employee costs shown on the previous page include the following remuneration in respect of the Directors of Upton & Southern Holdings plc. Detailed disclosures of Directors' individual remuneration and share options are given in the Report of the Remuneration Committee on pages 7 to 9.

	1996	1995
	£'000	£'000
Fees paid to third parties for services of Directors	**77**	202
Salaries (including benefits in kind)	**99**	78
Compensation to former Director for loss of office	**30**	5
Pension contributions	**25**	16
	231	301

Mr. J.E. Upton resigned on 2 February 1996 and received £45,000, including pension contributions, as compensation for loss of office. Mr. Upton also received as compensation the use of his company car with a market value of £9,000 until 31 January 1997 with the option to purchase it at that date.

The Directors' remuneration shown above (excluding pensions and pension contributions) include amounts paid to the:

	1996	1995
	£'000	£'000
Chairman and highest paid Director	**72**	-
Chairmen	**-**	49
Highest paid Director	**-**	88

The number of Directors (including the Chairman and highest paid Director) who received emoluments (excluding pensions and pension contributions) in the following ranges was:

	1996	1995
	Number	Number
Up to £5,000	**1**	1
£5,001 - £10,000	**1**	-
£10,001 - £15,000	**1**	1
£15,001 - £20,000	**-**	1
£25,001 - £30,000	**1**	-
£35,001 - £40,000	**-**	2
£45,001 - £50,000	**1**	-
£70,001 - £75,000	**1**	-
£80,001 - £85,000	**-**	1
£85,001 - £90,000	**-**	1
	6	7

9. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
Irrecoverable advance corporation tax	**15**	-

Taxation losses in excess of £2,000,000 (1995 : £1,300,000) are available to be carried forward against future trading profits.

10. DIVIDENDS

	1996 £'000	1995 £'000
5p (gross) Convertible Preference Shares		
Period to 28 January 1996 paid 30 April 1996	**25**	-
Half year to 27 July 1996 payable 31 October 1996	**35**	-
10% Convertible Preference Shares		
Non equity appropriation	**-**	109
	60	109

11. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per ordinary share on the net basis is based on the profit/(loss) attributable to ordinary shareholders of £232,000 (1995 : loss of £9,699,000) and on 170,179,416 ordinary shares (1995 : 120,709,451), being the weighted average number of shares in issue during the year.

12. TANGIBLE FIXED ASSETS

	Freehold property £'000	Short leasehold property and improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Television sets on rental £'000	Total £'000
Group						
Cost or Valuation						
at 30 July 1995	-	105	1,064	109	523	1,801
In respect of new subsidiary	2,145	-	-	-	-	2,145
Additions	271	-	186	47	199	703
Surplus on revaluation	29	-	-	-	-	29
Disposals	(145)	-	(39)	(22)	(125)	(331)
at 27 July 1996	**2,300**	**105**	**1,211**	**134**	**597**	**4,347**
Depreciation						
at 30 July 1995	-	26	505	58	215	804
Charge for the year	-	5	125	17	96	243
Disposals	-	-	(33)	(10)	(80)	(123)
at 27 July 1996	**-**	**31**	**597**	**65**	**231**	**924**
Net book value at 27 July 1996	**2,300**	**74**	**614**	**69**	**366**	**3,423**
Net book value at 29 July 1995	-	79	559	51	308	997
Analysis of net book value at 27 July 1996						
at cost	**2,000**	**-**	**614**	**69**	**366**	**1,049**
at valuation	**300**	**74**	**-**	**-**	**-**	**2,374**
	2,300	**74**	**614**	**69**	**366**	**3,423**

Included within tangible fixed assets are assets with a net book value of £38,000 (1995 : £50,000) held under finance leases.

The freehold properties acquired with Uniquegrid Limited were valued prior to acquisition, details of which are given in note 21. The Group acquired a freehold property in Newcastle upon Tyne on 15 July 1996 and this was valued on an open market basis by Peter Fall Cowie, independent property consultants, at the year end.

The Group's retailing leasehold properties were professionally revalued on 30 January 1990 on an existing use basis.

The Company has no fixed assets.

CAPITAL COMMITMENTS

	1996 £'000	1995 £'000
Future capital expenditure		
Contracted but not provided for	**28**	-

13. INVESTMENTS

	Shares in Group and total undertakings £'000
Company	
Cost	
at 30 July 1995	2,277
Additions	11
Disposals	-
at 27 July 1996	**2,288**
Provisions for diminution in value	
at 30 July 1995	1,252
Provided during the year	-
Utilised during the year	-
at 27 July 1996	**1,252**
Net book value at 27 July 1996	**1,036**
Net book value at 29 July 1995	1,025

On 18 September 1995 the Company acquired the whole of the share capital of Uniquegrid Limited and on 19 September 1995 Southern & City (Project Management) Limited, whose principal activity was property investment, was sold by the liquidator of its holding company for £1.

PRINCIPAL GROUP INVESTMENTS

	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares
E. Upton & Sons plc	England and Wales	Department stores	100% ordinary shares
Uniquegrid Limited	Scotland	Investment properties	100% ordinary shares 100% non equity shares

14. STOCKS AND WORK IN PROGRESS

	Group **1996** **£'000**	Group 1995 £'000
Goods for resale	**1,017**	872
Short term work in progress at cost	-	675
	1,017	1,547

In the opinion of the Directors the estimated replacement cost of stocks and work in progress is not materially different from the above figures.

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Trade debtors	**302**	218	**-**	-
Due from Group undertakings	**-**	-	**-**	890
Other debtors	**25**	20	**1**	20
Prepayments and accrued income	**75**	62	**11**	2
Other taxes and social security	**-**	-	**8**	-
Corporation tax	**7**	-	**-**	-
	409	300	**20**	912

16. CURRENT ASSET INVESTMENTS

Group	Unquoted investments £'000	5% debenture loan AIS Property Ltd. £'000	Properties held for resale £'000	Total £'000
Cost				
at 30 July 1995	50	8	550	608
Disposals	-	-	(550)	(550)
at 27 July 1996	50	8	-	58
Provision for diminution in value				
at 30 July 1995 and 27 July 1996	50	-	-	50
Net book value at 27 July 1996	**-**	**8**	**-**	**8**
Net book value at 29 July 1995	-	8	550	558

The Group holds 100% of the preference share capital of Trac Satellite Systems Limited, a company incorporated in Great Britain. The Directors estimate the value of this investment to be £nil (1995 : £nil). The shares are convertible on the request of the Company into ordinary shares representing 16% of the equity capital of Trac Satellite Systems Limited.

The Group holds £8,000 5% debenture stock in AIS Property Limited, a company incorporated in Great Britain. AIS Property Limited is a subsidiary of Associated Independent Stores Limited, a joint buying association of which E. Upton & Sons PLC is a member. The debenture stock held by the Company represents 2% of the debenture stock in issue. The Directors estimate the value of this investment to be £15,100 (1995 : £16,200).

17. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Loan notes	**49**	145	-	-
Bank loan (note 18)	**125**	-	-	-
Due under finance leases	**15**	30	-	-
Trade creditors	**939**	932	-	-
Due to Group undertakings	-	-	**102**	472
Advance corporation tax payable	**9**	-	**9**	-
Other taxation and social security	**172**	34	-	-
Other creditors	**162**	174	**3**	7
Accruals	**310**	487	**82**	155
Proposed dividend	**35**	-	**35**	-
	1,816	1,802	**231**	634

The loan notes were issued by a wholly owned subsidiary company and are secured on a bank deposit of that amount and are repayable on six months notice.

18. CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Due within one to two years				
Due under finance leases	**13**	19	-	-
Bank loan	**145**	-	-	-
	158	19	-	-
Due within two to five years				
Due under finance leases	**8**	3	-	-
Bank loan	**505**	890	-	890
	513	893	-	890
Due after 5 years				
Bank loan	**1,665**	486	-	-
Total	**2,336**	1,398	-	890

The bank loan bears interest of 1½ per cent over base rate and is secured by first charges over the freehold and leasehold properties of the Group and the assignment in favour of the bank of a key man policy on the life of Mr. R.C. Trenter, the Chief Executive of the Company. Repayments are by instalments over the remaining term of the loan.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Provisions £'000
Group	
at 30 July 1995	650
Transferred from other creditors	29
Provided in the year	20
Released in the year	(37)
Utilised in the year	(388)
at 27 July 1996	**274**

	Provisions £'000
Company	
at 30 July 1995	433
Provided in the year	-
Released in the year	-
Utilised in the year	(320)
at 27 July 1996	**113**

The provisions relate to expected future legal, redundancy, dilapidation, reorganisation and warranty costs.

20. SHARE CAPITAL

	1996 £'000	1995 £'000
Authorised		
320,000,000 Ordinary Shares of 0.5p each	**1,600**	
(1995 : 215,000,000 Ordinary Shares of 5p each)		10,750
1,745,226 5p (gross) Convertible Preference Shares of 50p each	**873**	
(1995 : 750,000 10% Convertible Preference Shares of £1 each)		750
	2,473	11,500
Allotted, called up and fully paid		
172,612,900 Ordinary Shares of 0.5p each	**863**	
(1995 : 155,337,907 Ordinary Shares of 5p each)		7,767
1,745,226 5p (gross) Convertible Preference Shares of 50p each	**873**	
(1995 : 750,000 10% Convertible Preference Shares of £1 each	**-**	750
	1,736	8,517

20. SHARE CAPITAL (cont'd)

Changes During the Year

On 18 September 1995, at an Extraordinary General Meeting, shareholders approved, inter alia, the raising of additional funds for working capital by the issue of 1,745,226 5p (gross) Convertible Preference Shares of 50p at £1 per share, the sub division of each issued Ordinary Share of 5p each into one Ordinary Share of 0.5p and one Deferred Share of 4.5p each, the conversion of 750,000 10 per cent Convertible Preference Shares of £1 each into 17,259,774 Ordinary Shares of 0.5p each and 14,748,914 Deferred Shares of 4.5p each and the reduction of capital by the cancellation of the capital paid up and credited as paid up on each of the issued 170,086,821 Deferred Shares of 4.5p each and the cancellation of the balance on the Share Premium Account. The capital reduction was approved by the High Court on 15 November 1995.

On 31 December 1995 warrant holders subscribed for 15,219 shares of 0.5p each at the subscription price of 4.5p per share.

Warrants

At 29 July 1995 and 27 July 1996 there were 1,925,000 outstanding warrants entitling holders to subscribe for 0.5p shares at the rate of one warrant for one 0.5p share at a subscription price of 10p per share before 31 December 1997.

At the Extraordinary General Meeting on 18 September 1995 referred to above shareholders approved the bonus issue of one new warrant for every ten Ordinary Shares held entitling the holder to subscribe for 0.5p shares at a price of 4.5p at any time up to 28 days following the publication of the Group's results for the years 1995 to 1999. 17,452,268 warrants were issued and 15,219 have been converted during the year leaving a balance of 17,437,049 still outstanding.

Share Options

The following options granted to employees of Upton & Southern Holdings plc through the Executive Share Option Scheme were outstanding at 27 July 1996. The sum of £1 was paid by option holders on the grant of options under the Reject Shop Option Scheme. No consideration was paid in respect of the grant of options under the Uptons Scheme:

Number of Ordinary Shares of 0.5p each	Date granted	Exercise period	Exercise price
4,155	3/8/88	4/8/91 to 3/8/98	649.75p
4,000,000	23/5/95	24/5/98 to 23/5/2005	5p
300,000	5/4/96	6/4/99 to 5/4/2006	3p

In addition the following options have been granted to Directors following approval by shareholders at Extraordinary General Meetings. Full details of these outstanding options are provided in the report of the Remuneration Committee on page 9.

Number of Ordinary Shares of 0.5p each	Date granted	Exercise period	Exercise price
500,000	21/3/94	22/3/94 to 31/12/97	30p
5,350,000	18/9/95	19/9/96 to 19/9/2002	3p

20. SHARE CAPITAL (cont'd)

5p (gross) Convertible Preference Shares

The Convertible Preference Shares carry the right to a fixed cumulative preferential dividend of 5p (gross) per annum payable half yearly on 30 April and 31 October in each year in respect of the previous half year.

On a return of capital on a winding-up, the holders of the Convertible Preference Shares will have a preferential right to repayment of 100p per share and all arrears of fixed cumulative dividend but will have no right to participate in any surplus.

The holders of the Convertible Preference Shares will have the right to receive notice of and attend General Meetings of the Company, but will only be entitled to vote thereat if their fixed cumulative preferential dividend is six months or more in arrears, or if Convertible Preference Shares required to be redeemed by the Company have not been redeemed, or if a receiver or administrative receiver to the Company has been appointed, or on a resolution abrogating, varying or modifying any of their class rights or privileges or for the winding-up of the Company.

The Convertible Preference Shares may be converted into fully paid Ordinary Shares of 0.5p each in the Company on the basis of 100 Ordinary Shares for every £1.50 in nominal amount of Convertible Preference Share Capital by the holder giving notice to the Registrars of the Company at any time during the period of 28 days prior to 31 December in the year 1997 or in any of the following years up to and including 2002.

The Company shall redeem any unconverted Convertible Preference Shares on 31 January 2003. The amount payable on redemption shall be the sum of 100p for each 50p share plus any arrears or accruals of the fixed dividend thereon. If 75% or more of the Convertible Preference Shares have been converted, the Company may require the holders of the outstanding Convertible Preference Shares to elect either to convert or to redeem such shares at 100p per share.

21. ACQUISITIONS

On 18 September, the Company acquired the whole of the issued share capital of Uniquegrid limited for a total consideration of £11,000 satisfied by cash. The Group has used acquisition accounting to account for the purchase.

The summarised profit and loss account for Uniquegrid Limited for the period from 1 March 1995, the beginning of the subsidiary's financial year, to the date of acquisition is as follows:

	Period ended 18 September 1995 £'000
Turnover	96
Operating profit	87
Loss on disposal of fixed assets	(200)
Loss on ordinary activities before taxation	(212)
Tax on ordinary activities	1
Loss on ordinary activities after taxation	(211)

The Company had no recognised losses other than those above. The loss on ordinary activities after taxation for the year ended 28 February 1995 was £27,000.

21. ACQUISITIONS (cont'd)

The assets and liabilities of Uniquegrid Limited acquired are set out below:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Tangible fixed assets	2,145	(25)	2,120
Current assets			
Debtors	25		25
Total assets	2,170	(25)	2,145
Liabilities			
Bank loans	(2,425)		(2,425)
Net liabilities	(255)	(25)	(280)
Goodwill			291
Satisfied by:			
Cash (acquisition expenses)			11

Tangible fixed assets include freehold properties acquired which were revalued on an open market basis by Baker Lorenz, independent property consultants, as at 23 August 1995 producing a decrease in book value of £6,000.

A freehold property was sold subsequent to the acquisition, realising a loss of £25,000. In the Directors' opinion the sale proceeds of £120,000 are a fair approximation to the fair value on the date of acquisition and accordingly the acquisition value has been adjusted.

Impact on Cash Flows

The Company leases its freehold properties to fellow subsidiaries and consequently the only material cash flows since acquisition relate to interest paid (£155,000), the purchase of tangible fixed assets (£210,000), new loans raised (£210,000), and the repayment of loans (£195,000).

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves, after deducting goodwill attributable to subsidiary undertakings disposed of, is set out below:

	£'000
Net goodwill written off to reserves	
At 30 July 1995	132
Eliminated on disposal (see note 22)	(126)
Written off to other reserves in the year	291
At 27 July 1996	**297**

22. DISPOSALS

During the year the Group disposed of Southern & City (Project Management) Limited.

	£'000
Net liabilities disposed of	
Stock	675
Current asset investments	550
Debtors	38
Creditors	(1,463)
Goodwill previously written off to reserves	126
	(74)
Profit on disposal	64
Satisfied by cash (disposal expenses)	(10)

The cash flows contributed by the Company in the period to disposal were not material to the Group.

23. SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £'000	Other reserves £'000	Revaluation reserve £'000	Profit and loss account £'000
At 30 July 1995	5,409	-	-	(13,886)
Premium on issue of 5p (gross) Convertible Preference Shares	873	-	-	-
Expenses of issue	(176)	-	-	-
Profit for the year	-	-	-	232
Goodwill on disposal (see note 22)	-	-	-	126
Goodwill on acquisition (see note 21)	-	(291)	-	-
Surplus on revaluation of freehold properties	-	-	29	-
Movements due to capital reduction	(6,086)	-	-	13,740
At 27 July 1996	**20**	**(291)**	**29**	**212**

Company	Share premium account £'000	Profit and loss account £'000
At 30 July 1995	5,409	(13,740)
Premium on issue of 5p (gross) Convertible Preference Shares	873	-
Expenses of issue	(176)	-
Profit for the year	-	-
Movement due to capital reduction	(6,086)	13,740
At 27 July 1996	**20**	**-**

24. FINANCIAL COMMITMENTS

The Group has annual commitments under non-cancellable operating leases as detailed below:

	1996		1995	
	Land and buildings	**Other**	Land and buildings	Other
Operating leases which expire:	**£'000**	**£'000**	£'000	£'000
Within one year	-	-	-	-
Within two to five years	-	**10**	-	-
After more than five years	**421**	-	444	11
Total continuing activities	**421**	**10**	444	11

The 1996 figures include the commitment in respect of a new store which is expected to open in November 1996.

25. PENSION COST

The Group operates several defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the funds and amounts to £49,000 (1995 : £37,000).

26. CASH FLOW

	1996	1995
	£'000	£'000
Reconciliation of operating profit/(loss) to net cash outflow from operating activities		
Operating profit/(loss) - continuous operations	**355**	(154)
Operating loss - discontinued operations	-	(3,031)
Total operating profit/(loss)	**355**	(3,185)
Depreciation charges	**243**	868
Loss on sale of tangible fixed assets	**10**	20
Decrease in provisions	**(376)**	(37)
Increase in stocks	**(125)**	(632)
(Increase)/decrease in debtors	**(122)**	35
Decrease in creditors	**(81)**	(485)
Amortisation of deferred income	-	(771)
Landlord contributions received in the period	-	396
Net cash outflow	**(96)**	(3,791)

26. CASH FLOW (cont'd)

Changes in cash and cash equivalents

	At year end		Change in year	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**1,275**	488	**787**	(205)
Bank loans and overdrafts	**-**	-	**-**	1,970
	1,275	488	**787**	1,765

Analysis of changes in financing during the year

	1996		1995	
	Share capital (including premium)	**Loans and finance lease obligations**	Share capital (including premium)	Loans and finance lease obligations
	£'000	**£'000**	£'000	£'000
At 30 July 1995	**13,926**	**1,573**	8,575	3,677
In respect of subsidiary acquired	**-**	**2,425**	-	-
Net cash flows from financing	**1,570**	**(119)**	5,351	(104)
Capital reduction (note 20)	**(13,740)**	**-**	-	-
Termination of discontinued activities	**-**	**(1,376)**	-	(2,000)
Inception of new finance leases	**-**	**22**	-	-
At 27 July 1996	**1,756**	**2,525**	13,926	1,573

FIVE YEAR SUMMARY

	Year ended January		Period ended July		
	1992*	1993*	1994**	1995*	**1996***
	£000	£000	£000	£000	**£000**
Turnover	13,550	10,651	17,862	30,396	**8,954**
Profit/(loss) on ordinary activities before taxation	(2,863)	(635)	(4,007)	(9,590)	**307**
Taxation	5	1	-	-	**(15)**
Profit/(loss) for the financial period	(2,858)	(634)	(4,007)	(9,590)	**292**
Shareholders' funds	(502)	1,011	(1,201)	40	**1,706**
Earnings/(loss) per share	(32p)	(7p)	(21p)	(8p)	**0.14p**

* 12 months

** 18 months

Note: Loss per share is as historically reported.

Upton & Southern

UPTON & SOUTHERN HOLDINGS plc
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 59th Annual General Meeting of UPTON & SOUTHERN HOLDINGS plc will be held at 175 Linthorpe Road, Middlesbrough, Cleveland TS1 4AJ on Thursday 21 November 1996 at 11.00 a.m. for the following purposes:

1. To receive and adopt the statement of accounts of the Company for the year ended 27 July 1996 together with the reports of the Directors and Auditors thereon.

2. To elect Mr. T.W. Stevenson as a Director.

3. To re-elect Mr. S.J. Barclay as a Director.

4. To re-appoint Messrs Coopers & Lybrand as Auditors to act as such until the conclusion of the next Annual General Meeting of the Company at which the requirements of Section 241 (1) of the Companies Act 1985 will be complied with and to authorise the Directors of the Company to fix their remuneration.

As special business to consider the following Resolutions, Resolutions 5 and 6 being proposed as Ordinary Resolutions and Resolutions 7 and 8 as Special Resolutions.

5. That the authority conferred on the Directors of the Company at the last Annual General Meeting of the Company held on 5 December 1995 to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £287,663 (representing 33 per cent of the Company's issued share capital) be varied and is hereby extended for a period expiring on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution unless such authority is renewed, varied, or revoked by this Company in general meeting save that the Company may at any time before such expiry make an offer or agreement which 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 hereby conferred had not expired.

6. That the payment by the Company to its Non-Executive Directors of £27,083 in aggregate by way of fees during the year ended 27 July 1996 and £34,619 in aggregate in respect of the year ended 29 July 1995 be and are hereby ratified and approved.

7. That the power conferred on the Directors of the Company at the last Annual General Meeting of the Company held on 5 December 1995 to allot equity securities for cash of up to £43,150 (representing 5 per cent of the Company's share capital) as if Section 89 (1) of the Act did not apply be and is hereby extended for a period expiring on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution unless such power is renewed or extended prior to or at such meeting except that the Company may before the expiry of any power contained in this Resolution 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.

8. That the regulations contained in the printed document produced to the Meeting and signed, for the purpose of identification, by the Chairman of the Meeting, be adopted as the Articles of Association of the Company in substitution for the existing Articles of Association of the Company.

By Order of the Board
I.W. STEVEN Ian D. Steven
Secretary

Registered Office:
175 Linthorpe Road,
Middlesbrough,
Cleveland. TS1 4AJ
28 October 1996

Notes:
1 A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.
2 Copies of Directors' contracts of service and the register of Directors' interests in the shares of the Company are available for inspection at the Registered Office during normal business hours (Saturdays and Sundays excepted), until the Meeting and at the Meeting.