

THE LONGMEAD GROUP PLC

CHAIRMAN'S STATEMENT

Trading Results

The trading results for the year have been affected by significant stock provisions. Over the last five years, we have seen our annual sales to our main DIY bathroom customer fall by up to £1 million in each year and it has now reached a very low level. As a result, it has become necessary to make a major stock provision in respect of work in progress, packaging and finished goods. We have also rationalised our door furniture product range and this has resulted in further stock provisions. In addition, our changing customer profile has necessitated further provisions.

The overall trading result is a loss of £253,000 (2006: £170,000) after allowing for the stock write-offs. Although the outcome is most unsatisfactory, there are some encouraging signs. Our General Trade sales are up by over 12% and our gross profit has increased from 37.6% to 39.8% before the stock write-offs. Our turnover fell to £2.15 million (2006: £2.29 million) but this is the result of a fall in sales to the main DIY customer mentioned above. The operating loss (before stock write-offs) has fallen to £86,000 (2006: £118,000), an improvement of 27%. Overheads continue to fall in spite of increased energy and distribution costs, and were 4% lower in 2007 than 2006. This is in spite of the fact that we incurred one-off costs of £10,000 as a result of changing our Nominated Adviser and Broker and re-arranging our borrowings. These items are commented on in more detail below. Interest shows an increase of £6,000 arising from higher borrowing costs during the year, although this is likely to improve in the present year as a result of the new borrowing arrangements.

New Products

The new products introduced last year have continued to perform well but new product development must be an ongoing process. In March 2008, we exhibited at the Kitchens Bedrooms & Bathrooms Exhibition at the NEC Birmingham where we showed a further range of new products. These included an exciting, highly competitive range of shower curtains, new bathroom accessory ranges, extensions to our bathroom furniture range and back-lit mirrors. These new items have been carefully researched and we believe they will prove very successful.

The launch of our new ceramic products for the non-bathroom market has been delayed but it is hoped that the distributor concerned will be promoting them over the Internet in the very near future.

Change of Advisers

During 2007 we changed our Nominated Adviser and Broker. Teather & Greenwood, who were our brokers, indicated that the Company was very small relative to the rest of their portfolio and gave us notice that they wished to stand down. Your Board decided it would be sensible to find a new broker who had a close affiliation with a Nominated Adviser and, after talking with several companies, we elected to appoint Ellis Stockbrokers as our broker and City Financial Associates as our Nominated Adviser. Accordingly, we terminated our contract with Smith & Williamson. The cost of the changeover was approximately £6,000.

Restructuring of Borrowings

During the year we also, in discussions with our Bankers HSBC, decided to change the structure of our borrowings. We increased the size of our Medium Term Loan to £830,000 to be repaid over a ten year period, with the level of interest based on the Bank's Sterling Base Rate. At the same time, we reduced our overdraft facility to a nominal amount. The increase in our borrowings has enabled us to invest more in new products which will lead to increased turnover in the longer term. The cost of the change was approximately £4,000.

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CHAIRMAN'S STATEMENT (continued)

Balance Sheet

Following the loss for the year, our shareholders' funds have fallen to £1.201million (2006: £1.454 million) which represents net assets per share of 21.5p. However, our freehold premises were revalued during the year at £1.6 million which represents an increase of over £460,000 against the value shown in the balance sheet. This increase has not been included in the 2007 balance sheet.

Stocks have been reduced at the year but this is mainly due to the stock write-offs reported above. Debtors have been reduced partly as a result of reduced turnover but mainly through a much stricter system of credit control. As a result of the change in the bank arrangements our net current assets have risen slightly.

Future Prospects

Since the year end, we have taken out further overhead costs which have lowered the breakeven position. Many of our customers are taking a pessimistic view of the year ahead and are reducing their level of stocks, but they are receptive to new products and this, together with the presentation of products at the KBB Show in Birmingham, should stand us in good stead. However, the almost total loss of our major DIY customer's business means we have been running to stand still.

We are budgeting for a small increase in turnover but there is no doubt 2008 will be a difficult year for all retailers, so an increase will be hard to achieve. The strength of the pound against the dollar is helping us to maintain reasonable margins and interest rate falls should be of some benefit.

It is impossible to predict the likely outcome for the year but we will continue to use all our endeavours to achieve a further improvement in our results.

I would like to thank the management and staff of the Company for their hard work and support during the year.

R E W Newman
Chairman

27 March 2007

THE LONGMEAD GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
53 weeks ended 3 November 2007

	Note	Before exceptional items 2007 £	Exceptional items (Note 1) 2007 £	53 weeks ended 3 November 2007 £	52 weeks ended 28 October 2006 £
TURNOVER - continuing operations		2,146,841	-	2,146,841	2,288,354
Cost of sales		(1,293,362)	(108,988)	(1,402,350)	(1,427,398)
GROSS PROFIT		<u>853,479</u>	<u>(108,988)</u>	744,491	860,956
Distribution costs				(597,260)	(656,553)
Administrative expenses				(342,585)	(322,897)
OPERATING LOSS					
- continuing operations				(195,354)	(118,494)
Interest receivable and similar income				50	3
Interest payable and similar charges				(57,562)	(51,611)
LOSS ON ORDINARY					
ACTIVITIES BEFORE TAXATION				(252,866)	(170,102)
Tax on (loss)/profit on ordinary activities				-	-
LOSS ON ORDINARY					
ACTIVITIES AFTER TAXATION				(252,866)	(170,102)
LOSS FOR THE					
FINANCIAL YEAR				<u>(252,866)</u>	<u>(170,102)</u>
LOSS PER ORDINARY SHARE					
- Basic	2			(4.53)p	(3.05)p
- Diluted	2			(4.53)p	(3.05)p

There are no recognised gains and losses for the current or preceding financial period other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

THE LONGMEAD GROUP PLC

CONSOLIDATED BALANCE SHEET
At 3 November 2007

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Intangible assets			12,981		15,981
Tangible assets			1,215,043		1,306,049
			<u>1,228,024</u>		<u>1,322,030</u>
CURRENT ASSETS					
Stocks and work in progress		1,149,148		1,293,350	
Debtors		440,197		540,685	
Cash at bank and in hand		1,700		2,191	
		<u>1,591,045</u>		<u>1,836,226</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		<u>(725,291)</u>		<u>(972,091)</u>	
NET CURRENT ASSETS			<u>865,754</u>		<u>864,135</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,093,778		2,186,165
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			<u>(892,400)</u>		<u>(731,921)</u>
TOTAL NET ASSETS			<u><u>1,201,378</u></u>		<u><u>1,454,244</u></u>
CAPITAL AND RESERVES					
Called up share capital			558,439		558,439
Share premium account			1,397,747		1,397,747
Capital redemption reserve			19,000		19,000
Revaluation reserve			249,969		255,041
Profit and loss account			<u>(1,023,777)</u>		<u>(775,983)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u><u>1,201,378</u></u>		<u><u>1,454,244</u></u>

These financial statements were approved by the Board of Directors on 27 March 2008.

Signed on behalf of the Board of Directors

R E W Newman
Director

THE LONGMEAD GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT
53 weeks ended 3 November 2007

	2007		2006	
	£	£	£	£
Net cash outflow from operating activities		77,559		(41,858)
Returns on investments and servicing of finance				
Interest received	50		3	
Interest paid	(55,905)		(50,641)	
Interest element of finance lease rentals	(370)		(914)	
		<u>(56,225)</u>		<u>(51,552)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets	-		(6,600)	
Proceeds from sale of tangible fixed assets	-		4,650	
		<u>-</u>		<u>(1,950)</u>
Net cash outflow before financing		21,334		(95,360)
Financing				
Capital element of finance lease rentals	(10,061)		(20,432)	
Loans advanced	830,000		-	
Loans repaid	(684,780)		(56,331)	
		<u>135,159</u>		<u>(76,763)</u>
Net cash (outflow)/inflow from financing		135,159		(76,763)
Decrease in cash in the period		<u>156,493</u>		<u>(172,123)</u>

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NOTES TO THE ACCOUNTS 53 weeks ended 3 November 2007

1. EXCEPTIONAL ITEMS

	2007 £	2006 £
Stock provisions	108,988	-

2. LOSS PER ORDINARY SHARE

The calculation of the basic loss per share is based on the weighted average number of shares in issue during the financial year of 5,584,391 (2006: 5,584,391) and on the loss attributable to ordinary shareholders of £252,866 (2006: £170,102 loss).

3. The financial information on the Group set out above does not constitute statutory information financial year within the meaning of section 240 of the Companies Act 1985. The statutory accounts for the 53 weeks ended 3 November 2007 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

4. Copies of the 2007 Report and Accounts will be sent to shareholders in due course. Further copies will be available from the registered office of The Longmead Group plc, Millwey Industrial Estate, Axminster, Devon, EX13 5HU and from the Company's nominated adviser, City Financial Associates Limited, 16 Worship Street, London, EC2A 2EA for one month from the date of this announcement.