

Parker Knoll

Chairman's Letter
Annual Report for 1977
to Parker Knoll People



M. H. T. JOURDAN

From the Chairman

The Group has had another successful year. In thanking you all for the effort which has produced these splendid results, I hope you will feel that the additional information available in this new form of report is an improvement.

I think that from time to time it is productive to reflect on what we do well and where we can improve in the future to the benefit of all the partners within the business – our customers, our shareholders and ourselves.

Through our efforts we have established over the years a financially strong Group with a highly respected name for the quality of its products and services, and its integrity. Thus, our manufacturing and warehousing organizations, the efficiency with which we deal with our customers, and our internal accounting controls are all aspects of the business that generally run well.

Where I believe we could improve, particularly in what may be a difficult year ahead, is by increasing the comparative value of the products we sell and improving the means by which we control their manufacture.

At a time when inflation has eroded the value of wages, and taxation takes a high proportion of all our incomes, it is vital that we should strive to sell products which offer better value than those of our competitors, who are not only in our industries but also in all other sectors of the consumer durable market. If we are successful in this by improving efficiency, reducing waste, and making better use of our time, we are not only helping our customers, but also ourselves. We strengthen the security of our long term employment, we improve the possibilities for increasing wages and salaries, and we certainly improve the environment in which we work.

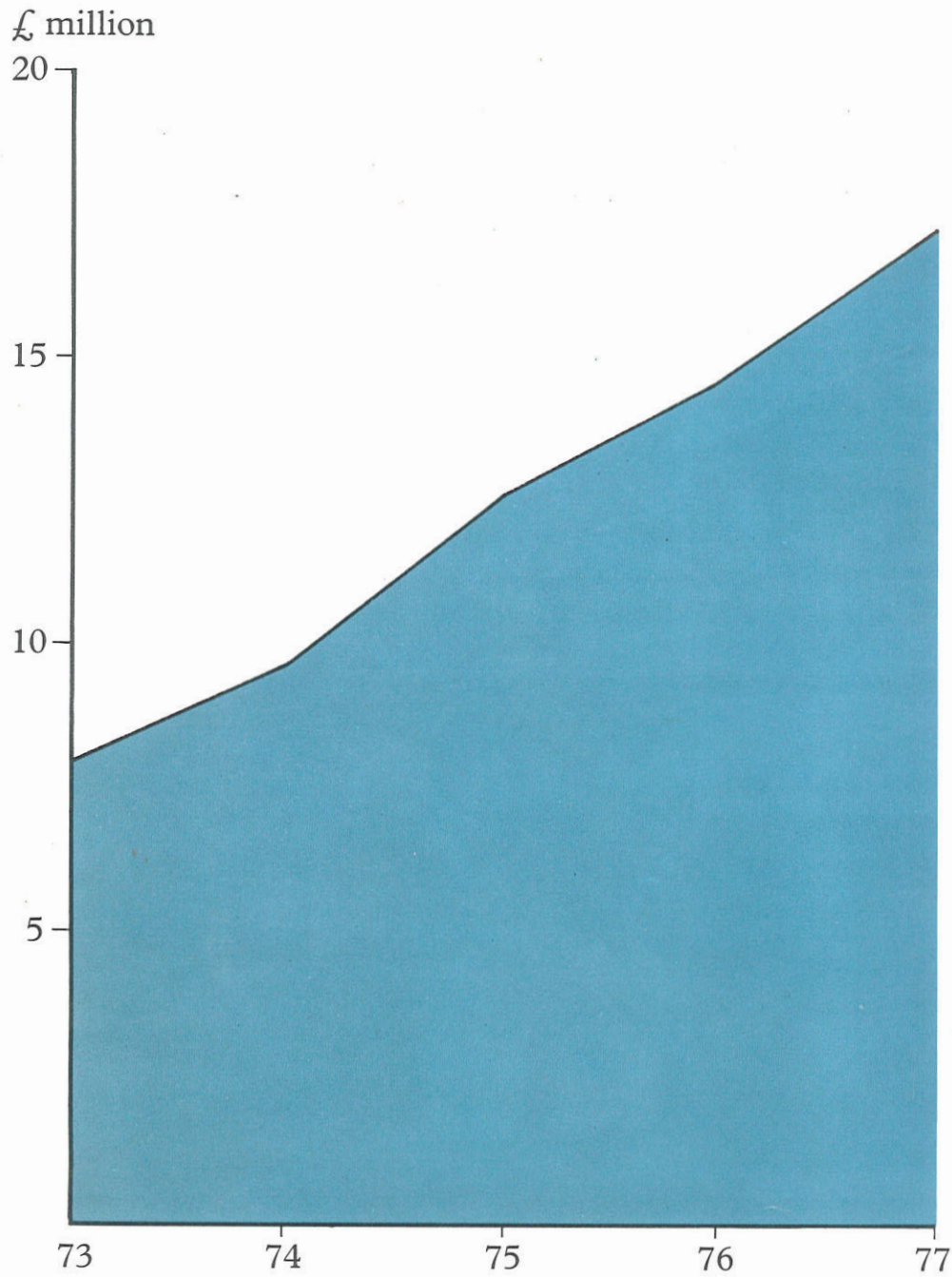
Private industry today is frequently criticised and often unjustifiably; it is the most important wealth creating element in our society since through the taxation it generates it finances our welfare state, our defence and institutions which are the envy of the world. Only by using the skills in our hands and our heads and our ability to change when necessary and compromise in our relationships with each other, can we continue to provide for the future of our company and our country. We at Parker Knoll must set the standard, both for our own good and so that others may follow.

M. H. T. Jourdan

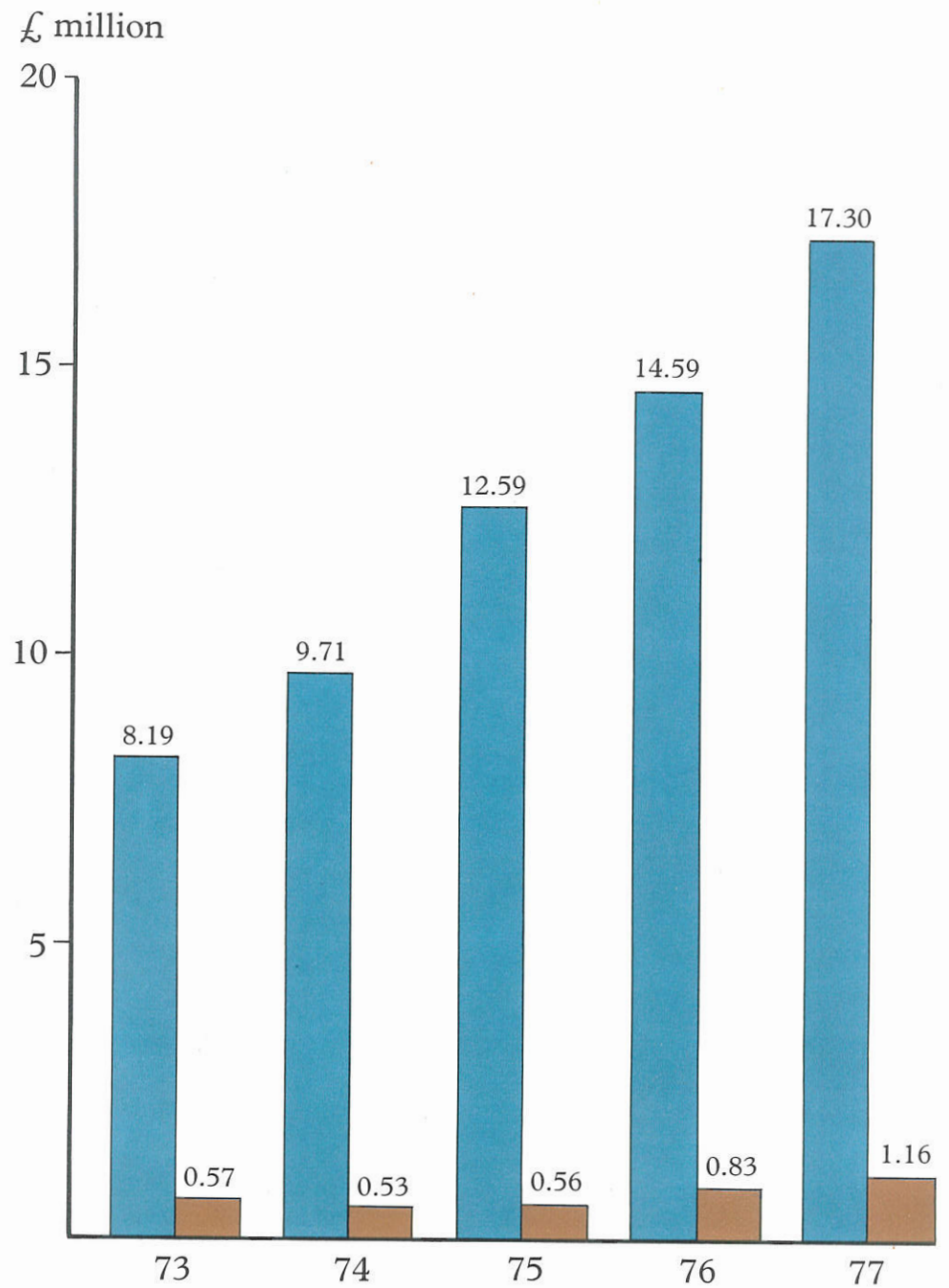
Summary of Results

Sales	£17,299,000
(including exports of	£2,163,000)
Profit before Tax	£2,268,000
Tax	£1,110,000
Profit after Tax	£1,158,000

GROWTH OF SALES



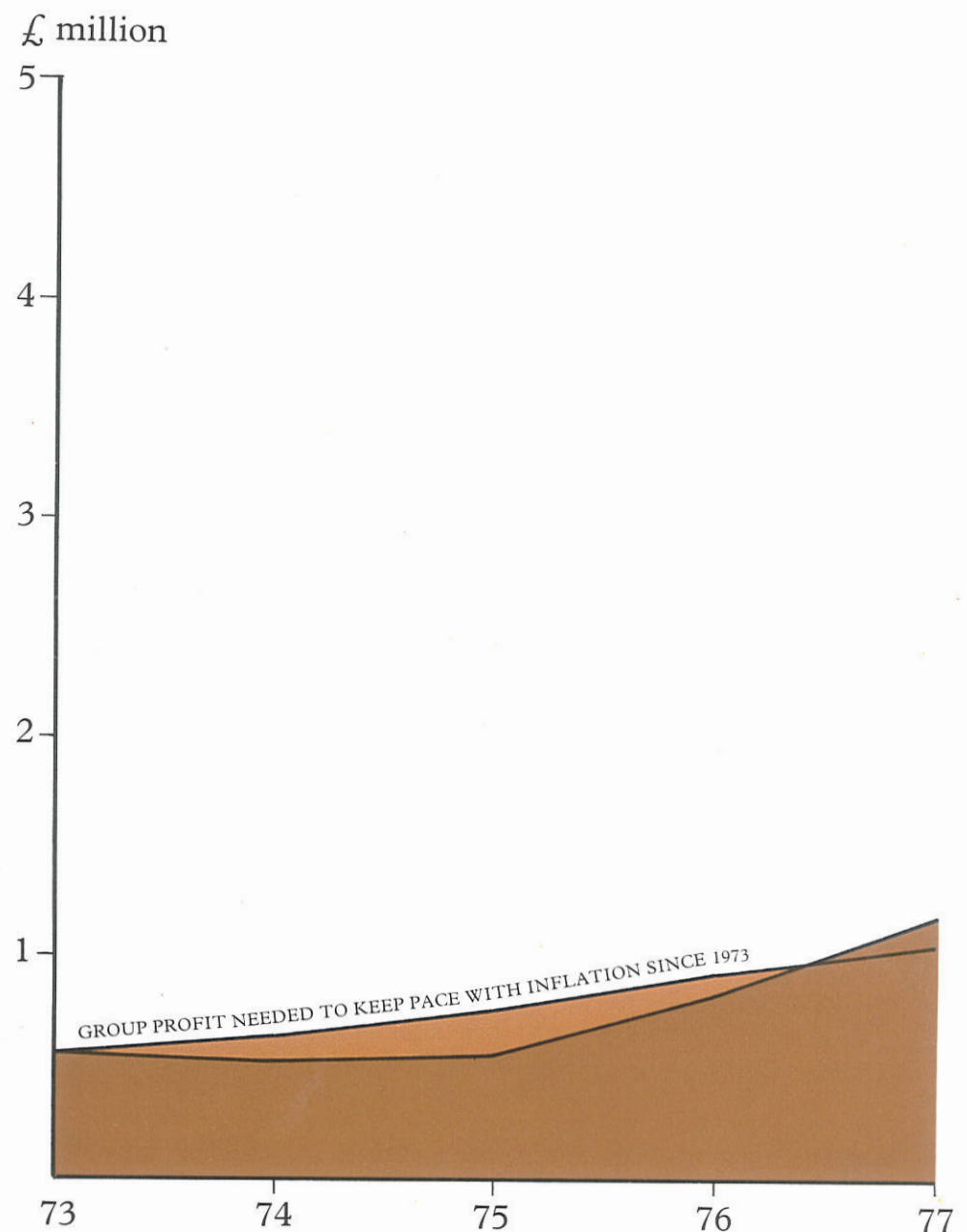
SALES AND PROFIT AFTER TAX



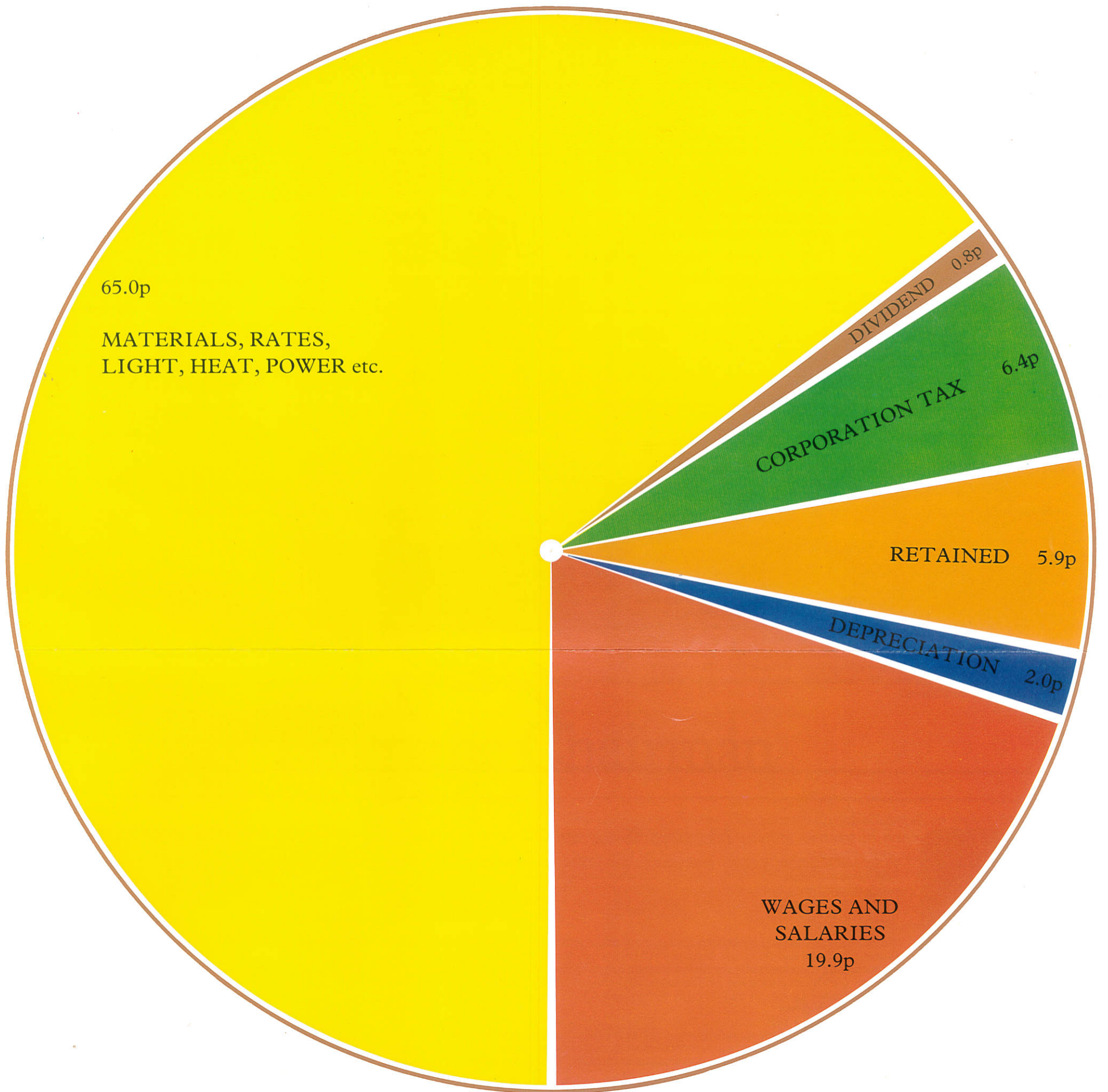
THE FOLLOWING AMOUNTS WERE PAID TO THE NATIONAL EXCHEQUER IN 1977

	£	£
BY COMPANY		
Corporation Tax	631,000	
Value Added Tax	554,000	
Social Security Payments	300,000	
Local Rates	139,000	
		1,624,000
BY EMPLOYEES		
Pay As You Earn	728,000	
Social Security Payments	184,000	
		912,000
		<u>£2,536,000</u>

GROUP PROFIT AFTER TAX



HOW EACH £ OF SALES WAS USED IN 1976/77



Reports from Managing Directors



M. H. T. JOURDAN

Parker Knoll Furniture

In the financial year which ended on 31st July 1977, orders received were 4% higher in real terms than in the previous year despite a reduction in demand from the contract market due to cuts in government expenditure and a drop in retail demand during the summer. We are increasing our advertising expenditure this autumn, particularly on the N.30 recliner, in order to improve our share of the available market.

Despatches of furniture were 4% lower than last year in real terms. Our industrial relations problems, coupled with production scheduling difficulties and lower sales towards the end of the year too often interrupted the smooth flow of work through both factories. We aim, with your help, to overcome these problems in the months ahead since this disruption causes frustration both to those working in the factories and to our customers.

During the year we have continued our investment in new buildings and machinery in order to provide for future growth and improve efficiency and standards of quality. This, together with an increase in the amount of money required to finance higher and more expensive stocks and the credit we must extend to our customers, has been funded out of profit.

We are undoubtedly facing more difficult trading conditions than we faced last year. Therefore, in addition to each and everyone of us maintaining vigilance over our own standards of quality and service, it is vital that we seek ways to improve our ability to work efficiently and happily together.

I believe that the work we are doing together with the Metra Proudfoot team will help materially in this direction. I would ask for your support in ensuring that we remain a company committed to producing efficiently top quality upholstery, in a pleasant working environment, at prices that offer good value to our customers.

M.H.T. Jourdan



J. N. KITCHING

Parker Knoll Textiles G. P. & J. Baker

The financial year just ended has been very successful for the Textile Division; exports, home sales and profits have all risen to record levels. Trading conditions have not been easy and our success is due to the vigorous efforts of our sales people, giving good service to our customers and having the range of fabrics that they want.

During the last few months we have started a programme of expansion of our facilities which will give better working conditions to many people in the division and enable us to give a better service, while expanding the business. We have now started a new building facing Desborough Road, which will give us a much better showroom and an operations centre where our sales and purchasing offices will be linked to the computer by visual display units. An improved flow of information on orders and stocks from this development should greatly enhance our service to customers.

Increasing exports means that we must again extend the export packing and despatch area. This is being done by completely re-equipping one of the older warehouses. When this is complete we will have plenty of space for storage, inspection and packing of export orders. We have already extended the racking in the Valley Warehouse to more than compensate for the bulk storage lost in setting up the new Export Packing department.

We have outgrown our London showrooms and design studio and are moving them to new premises. In the new showrooms we will be able to include Mercia Weavers and room settings to display fabrics, carpets and furniture.

During the next year, which is likely to be more difficult than the last, we will be looking for more business to justify the expansion that is taking place and maintain the momentum that has been established. I am sure that, with the continued support of everyone working in the Textile Division, this can be achieved.

J. N. Kitching



W. J. FREEMAN

Mercia Weavers

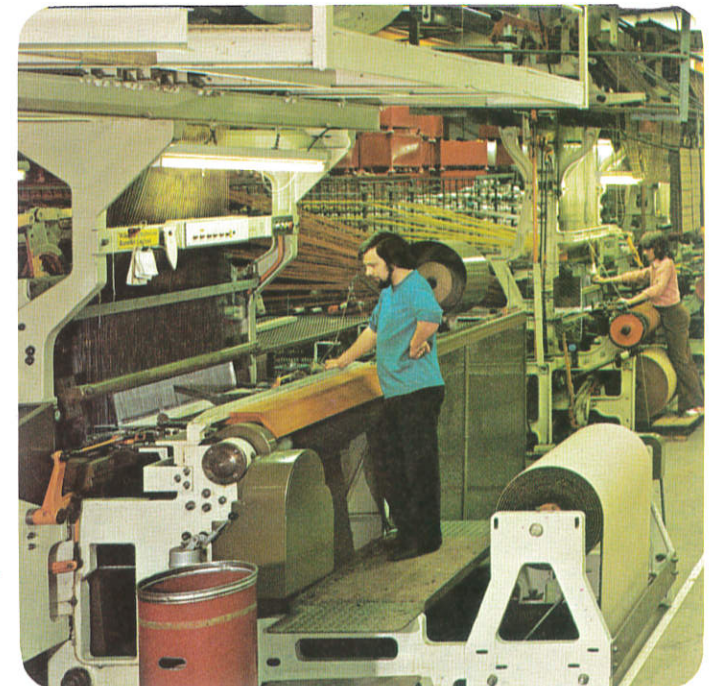
In spite of a difficult economic background, Mercia Weavers increased its share of the Wilton carpet market in 1977. Another four fast looms were installed and are now in production meeting this new business. Having settled into our new factory we are now able to offer our customers a complete 'package deal' with specially woven carpets being designed, woven, planned and then sewn to suit the various individual installations involved.

Our woven carpets have again been used in many highly prestigious projects including the Kuwait Embassy and the Royal Academy of Music's new Opera House in London, but the most exciting is undoubtedly the specially made carpet for the new Royal train used by Her Majesty the Queen during her Jubilee tours. Exports are steadily building up and we have now appointed agents to handle both woven and tufted carpets in Germany, France, Sweden and Norway.

During the year a new company, Parker Knoll Carpets, was formed to sell top quality tufted carpets which are manufactured in the new extension alongside the Mercia factory. Whilst the market for tufted carpets remains weak due to overproduction in the industry, our customers, who are Parker Knoll Furniture retailers, have given the new product an enthusiastic welcome.

The difficulties of the past year should not overshadow the hard work of everyone involved in the selling and manufacture of both our woven and new tufted carpets. The coming year may be difficult, but the initial reception of our new 100% wool ranges is encouraging.

W. J. Freeman



If you would like to know more about the company, or if you have any questions or comments please write on this form and send it to the Chairman, together with your name.