

Annual Report 1990/91



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# Notice of Meeting

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Notice is hereby given that the forty-fifth annual general meeting of Hicking Pentecost PLC will be held at 10.15 a.m. on Monday, 15th July 1991, at the offices of Credit Lyonnais Laing, Broadwalk House, 5 Appold Street, London EC2A 2DA, at which the following ordinary and special business will be transacted:

## ORDINARY BUSINESS

- 1 to receive and adopt the report of the directors and the accounts for the year ended 31st March 1991 and the auditors' report thereon.
- 2 to declare a final dividend.
- 3 to re-elect Mr J T Lister a director of the company.
- 4 to re-elect Mr C M Jones a director of the company.
- 5 to re-appoint Price Waterhouse as auditors and to authorise the directors to fix their remuneration.

## SPECIAL BUSINESS

- 6 to consider and if thought fit approve the following Resolution which will be proposed as a Special Resolution viz:

THAT

(a) the directors be and are authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £814,518 provided that this authority shall expire on the date of the next Annual General Meeting of the Company or 15th January 1993 whichever is the earlier;

(b) the directors be and are hereby empowered during such period to allot equity securities wholly for cash:

(i) in connection with a rights issue; and

(ii) otherwise than in connection with a rights issue up to an aggregate nominal amount of £407,259.\*

as if section 89(1) of the Act did not apply to such allotment but so that the directors may after such expiry allot Ordinary Shares in pursuance of offers or agreements made prior to such expiry; and

(c) for the purposes of this Resolution

(i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory);

(ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights; and

(iii) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings herein.

By Order of the Board

C M Jones  
Secretary  
19th June 1991

16, Lambourne Crescent  
Cardiff  
CF4 5GG

## Notes:

A member of the company is entitled to appoint a proxy or proxies to attend and vote in his stead and that proxy need not be a member of the company. A form of proxy is enclosed with the report. To be effective the form of proxy must be deposited, duly completed and signed, at the company's registrars, Exchange Registrars Limited, 18 Park Place, Cardiff, CF1 1YX, not later than twenty four hours before the annual general meeting.

Copies of all service agreements between directors and the company and a statement of transactions of directors (and their family interests) in the share capital of the company will be available for inspection at the registered office of the company during normal business hours on any weekday until the date of the meeting and will be available for 15 minutes before and during the meeting.

\* The figure of £407,259 referred to in paragraph (b) of Resolution 6 represents 5% of the issued share capital of the Company following the issue of the new Ordinary Shares under the terms of the Open Offer details of which are set out in the circular accompanying this Notice and which is conditional upon the passing of Resolution 2 set out in the Notice of Extraordinary General Meeting accompanying this Notice.

# Directors and Advisers

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## Directors

John Thomas Lister, Chairman

John Erik Marius Carlsen, Chief Executive and Deputy Chairman

Tudor Griffith Davies, Managing Director

Ceri Marc Jones, Finance Director

## Secretary

Ceri Marc Jones

## Registered Office

16, Lambourne Crescent, Cardiff, CF4 5GG

## Bankers

National Westminster Bank PLC, Lloyds Bank PLC

## Merchant Bankers

Edinburgh Financial Trust Limited

## Auditors

Price Waterhouse

## Brokers

Credit Lyonnais Laing, Allied Provincial Securities Limited

## Registrars

Exchange Registrars Limited

Company Registration Number

406925



# Chairman's Statement

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## Review

Last year, in my first report to you as Chairman, I said that the Board viewed the year to 31st March 1991 with optimism. This view has been borne out by results which are the best in the company's history.

The extensive re-organisation and management changes that were implemented in late 1989 and early 1990 were completed successfully and all divisions of the group traded profitably in the year ended 31st March 1991.

## Trading

Despite the difficult environment the operating profit improved considerably and at approximately £1.7m is not only the best in the company's history but more than 50% above the previous record.

I am particularly pleased with the speed of the turnaround and the major improvements in the previously loss-making Straven and British Textile knitwear businesses, as well as the increased contribution from the dyeing businesses and the benefits from the Forgemasters acquisition.

A focal point of the Board's attention is the generation of cash from trading coupled with improvements in the return on capital employed. We made good progress on both these aspects and overall gearing fell from 90.6 per cent of shareholders' funds at 31st March 1990 to 61.6 per cent at 31st March 1991 and short-term borrowings from 79.7 per cent to 26.0 per cent of shareholders' funds.

The interest charge for the year increased principally as a consequence of the costs of re-organisation and rationalisation, but is now reducing as a result of the continuing cash generation programme.

The acquisition of Forgemasters (Holdings) Limited was completed on 23rd July 1990 and the company has now been fully integrated into the Group. Despite the difficult economic conditions, Forgemasters has produced a satisfactory surplus and continues to enjoy a strong order book.

The trading success of the past year, in what are still extremely challenging conditions, has restored the confidence and commitment of the operational management and they and the Board continue to view the future with optimism.

## The Future

It continues to be the policy of the Board to reduce the group's dependence on its traditional textile operations by diversifying into engineering, building products and other related areas.

The Board has considered a large number of acquisition opportunities and has now identified a company in respect of which, subject (inter alia) to shareholder approval, acquisition terms have been agreed with the current owners. Further details of this acquisition and a placing and open offer to shareholders through which it is proposed to raise approximately £4.5m net of expenses, are contained in the circular being sent to all shareholders and enclosed with this report and accounts.

The Board believes that these proposals represent a positive step forward by the group. Notice of an Extraordinary General Meeting at which Shareholders' consent for the acquisition and related matters is being sought is also contained in the enclosed circular.

## Board Appointments

Mr Tudor G Davies's election as a Board Member was reported in my statement last year and he has subsequently been appointed as Group Managing Director. Mr Ceri M Jones, ACA, has been appointed Group Finance Director. Mr Davies and Mr Jones have already made significant contributions to the management of the group and their appointments have further strengthened your Board.

The Board believes that it would also benefit from the contributions of non-executive directors and is seeking to make one or more appointments. I hope to be able to report progress on this in my next statement.

## People

The results of the last year could not have been achieved without the dedication and commitment of the divisional management and their staff and, once again, I would like to thank all employees for their efforts on behalf of the group.

## Dividend

The Board are pleased to propose a final dividend of 1.65p which, together with the interim dividend of 0.6p, makes a total for the year of 2.25p. This represents an increase of 12.5 per cent over 1990 (2.0p). The final dividend will be paid on 2nd October 1991.

John Lister

Chairman

19th June 1991

## Directors' Report

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The directors submit their annual report together with the audited accounts for the year ended 31st March 1991.

### Principal Activities

The principal activities of the group during the year were the manufacture of knitted outerwear, the dyeing and finishing of these and other products and the manufacture of ferrous forgings.

### Review of Business

A review of the business and future development plans of the group is given in the chairman's statement.

The group results for the year, analysed by division, are as follows:

	1991 £'000	1990 £'000
Knitwear	496	(730)
Dyeing	1,064	874
Engineering	200	—
Operating profit	1,760	144
Exceptional costs	171	1,251
Interest payable	807	579
Profit/(loss) before taxation	782	(1,686)
Taxation	92	43
Profit/(loss) after taxation	690	(1,729)
Extraordinary loss	—	266
Dividends	214	128
Retained profit/(deficit) for the year	476	(2,123)

Exceptional losses taken into account in the calculation of profit/(loss) before taxation:

Knitwear reorganisation	—	1,061
Realmtree (discontinued)	—	122
Head office reorganisation	171	68

### Tangible Assets

The movement in tangible assets during the year is shown in note 10 to the accounts.

### Employees

The company pursues a policy of providing, wherever practicable, the same employment opportunities to disabled persons as to others.

### Charitable and Political Donations

Charitable donations during the year amounted to £317 and there were no political contributions.

### Close Company Provisions

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.



## Directors' Report

The interests of the directors (all beneficial) in the issued ordinary shares of the company at 31st March 1991 and 31st March 1990 according to the register kept by the company for the purpose of Section 325 of the Companies Act 1985 are shown below:

	50p Ordinary Shares			
	31st March 1991		31st March 1990	
	Beneficial	Options	Beneficial	Options
J T Lister	750,854	30,000	546,250	—
J E M Carlsen	750,854	30,000	546,250	—
T G Davies	615,433	30,000	—*	—*
C M Jones	22,863	—	11,013*	—*

\* at date of appointment

There were no changes in directors' shareholdings or options between 31st March 1991 and 19th June 1991. Mr J T Lister and Mr J E M Carlsen are directors and sole shareholders in Euro Investments Limited which through its subsidiary Legibus Ten Limited held a further 712,704 shares at 31st March 1991. Mr C M Jones is a director and significant shareholder in Executive Cover Limited, which held a further 10,000 shares at 31st March 1991.

The options granted to Messrs. Lister, Carlsen and Davies on 1st August 1990 are exercisable until the 31st July 2000 at a subscription price of 72p per share.

### Transactions involving Directors

With the exception of service contracts and other than as disclosed in the circular to shareholders dated 27th June 1990, none of the directors had an interest at any time during the year in any significant contract with the company.

### Substantial Interests

The directors are aware of the following holdings of more than 3% in the issued capital of the company at 19th June 1991:

	%
TR Smaller Companies Investment Trust PLC	8.4
J T Lister	7.9
J E M Carlsen	7.9
Legibus Ten Limited	7.5
T G Davies	6.5
Mrs M Molyneux	5.7
Manchester and London Investment Trust PLC	5.6
Bank of Scotland Nominees (Save and Prosper) Ltd	5.1
Phillips & Drew Fund Management Ltd	4.0
Pearl Assurance PLC	3.6

### Auditors

The Auditors, Price Waterhouse, are willing to continue in office, and a resolution proposing their re-election will be put to the annual general meeting.

### Directors

The present directors are listed on page three. Mr J E M Carlsen and Mr J T Lister were directors for the whole year. Mr T G Davies was

## Directors' Report

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appointed on 18th June 1990 and Mr C M Jones was appointed on 8th November 1990.

Mr T M Harris was a director until his resignation on 13th June 1990, Mr S M Gravett was a director until his resignation on 31st August 1990 and Mr J B Hamilton was a director until his resignation on 18th December 1990.

Mr J T Lister retires by rotation and, being eligible, offers himself for re-election.

Mr C M Jones, having been appointed since the last annual general meeting, retires and being eligible offers himself for re-election.

Mr J T Lister and Mr J E M Carlsen have service contracts with the company dated 25th June 1990 for a period of one year and thereafter until terminated by one year's notice. Mr T G Davies has a service contract with the company dated 18th June 1990 for a period of one year and thereafter until terminated by one year's notice. Mr C M Jones has a service contract with the company dated 1st April 1991 for a period of one year and thereafter until terminated by one year's notice.

### Share Capital

Details of the increase in the issued share capital of the company during the year are given in note 18.

### Dividends

It is proposed to pay a 1.65p final dividend (payable to shareholders on the register on 17th September 1991) to bring the total for the year to 2.25p (1990 2.0p).

By Order of the Board

C M Jones

Secretary



19th June 1991





# Auditors' Report

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## Report of the auditors to the Members of Hicking Pentecost PLC

We have audited the accounts on pages 9 to 22 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31st March 1991 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants

Nottingham

19th June 1991

## Financial Calendar

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Payment of interim dividend	April
Full year results preliminary announcement	June
Report and accounts published	June
Annual general meeting	July
Payment of final dividend	October
Publication of interim report	November

# Accounting Policies

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The group's accounting policies are as follows:

## **Basis of Accounting**

The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings and have been prepared in accordance with applicable accounting standards.

## **Basis of Consolidation**

The consolidated accounts incorporate the accounts of the company and all its subsidiaries. The accounts of all subsidiaries are made up to the same date as those of the company and are prepared in accordance with group accounting policies. Goodwill arising on consolidation is written off against reserves in the year of acquisition. Trading results of acquisitions are incorporated in the consolidated profit and loss account from the date of acquisition.

## **Turnover**

Turnover represents net amounts receivable for goods sold and services rendered to external customers in the ordinary course of business.

## **Fixed Assets and Depreciation**

The cost or valuation of fixed assets, including those held under finance leases and hire purchase agreements, is written off over the estimated useful life of the asset by providing depreciation on a straight line basis at the following annual rates:

Freehold Buildings	2% to 7%
Leasehold Buildings	Over the period of the lease
Plant and Equipment	6.25% to 33%

## **Leases**

Assets held under finance leases are capitalised as fixed assets. Interest is charged to the profit and loss account over the primary period of the lease. Rentals under operating leases are charged against income as incurred.

## **Government Grants**

Government grants on capital expenditure are treated as deferred income and released to profit and loss account over the life of the asset to which they relate. Revenue grants are credited to operating profit in the period in which the expenditure to which they relate is charged.

## **Stock**

Stock and work in progress are stated at the lower of cost, including a proportion of factory overheads, and net realisable value.

## **Deferred Taxation**

Deferred taxation is provided only to the extent to which it is considered likely to fall due for payment in the foreseeable future. No provision is made for any potential liability which might arise on the disposal of properties at their revalued amounts.

## **Research and Development**

Research and development expenditure is written off as incurred.

## **Pensions**

The group operates a pension scheme for certain of its employees. The scheme is funded by contributions partly from the employees and partly from the group in accordance with the advice of independent actuaries and the rules of the scheme.

The charge to the profit and loss account reflects the regular service cost of the scheme net of the interest credit arising on the pension fund surplus.

## **Foreign Currencies**

Foreign currency assets and liabilities are expressed in sterling at exchange rates ruling at the year end. Transactions in the normal course of business are expressed at the rates ruling at the date of transaction.



## Group Profit and Loss Account

for the year ended 31st March 1991

	Notes	1991 £'000	1990 £'000
Turnover	1	21,079	18,954
Cost of sales		<u>16,110</u>	<u>15,482</u>
Gross profit		4,969	3,472
Distribution costs		1,331	1,697
Administration expenses		<u>1,878</u>	<u>1,631</u>
Operating profit		1,760	144
Exceptional costs	2	171	1,251
Interest payable	3	807	579
		<u>          </u>	<u>          </u>
Profit/(loss) on ordinary activities before taxation	4	782	(1,686)
Taxation on profit/(loss) on ordinary activities	7	<u>92</u>	<u>43</u>
Profit/(loss) after taxation before extraordinary items		690	(1,729)
Extraordinary loss	8	<u>—</u>	<u>266</u>
Profit/(loss) for the financial year		690	(1,995)
Dividends	9	<u>214</u>	<u>128</u>
Reserve movement	19	<u>476</u>	<u>(2,123)</u>
Earnings/(loss) per share (actual tax):	20	<u>8.06p</u>	<u>(26.91p)</u>
Earnings/(loss) per share (34%/35% tax):		<u>6.03p</u>	<u>(17.06p)</u>

The notes on pages 14 to 22 form part of these accounts.

# Group Balance Sheet

31st March 1991

	Notes	1991 £'000	1990 £'000
<b>Fixed Assets</b>			
Tangible assets	10	<u>7,405</u>	<u>4,273</u>
<b>Current assets</b>			
Stock	13	2,163	2,402
Debtors	14	5,632	4,661
Cash in hand		<u>3</u>	<u>4</u>
		7,798	7,067
<b>Creditors: amounts falling due within one year</b>	15	<u>6,399</u>	<u>6,538</u>
<b>Net current assets</b>		<u>1,399</u>	<u>529</u>
<b>Total assets less current liabilities</b>		8,804	4,802
<b>Creditors: amounts falling due after more than one year</b>	16	2,049	288
<b>Provisions for liabilities and charges</b>	17	<u>375</u>	<u>282</u>
		<u>6,380</u>	<u>4,232</u>
<b>Capital and reserves</b>			
Called up share capital	18	4,751	3,207
Share premium account	18	520	—
Revaluation reserve	19	1,300	1,379
Profit and loss account	19	<u>(191)</u>	<u>(354)</u>
		<u>6,380</u>	<u>4,232</u>

Approved by the Board of directors on 19th June 1991

On behalf of the Board

*Ceri M. Jones*

C M Jones  
Director

The notes on pages 14 to 22 form part of these accounts.



# Company Balance Sheet

31st March 1991

	Notes	1991 £'000	1990 £'000
<b>Fixed assets</b>			
Tangible Assets	10	1,364	1,361
Investments:			
Shares in group companies	11	1,954	73
Loans to group companies	11	2,836	3,569
		<u>6,154</u>	<u>5,003</u>
<b>Current assets</b>			
Stock	13	1,902	2,402
Debtors	14	5,162	3,896
Cash		3	4
		<u>7,067</u>	<u>6,302</u>
Creditors: amounts falling due within one year	15	5,607	6,429
Net current assets/(liabilities)		<u>1,460</u>	<u>(127)</u>
Total assets less current liabilities		7,614	4,876
Creditors: amounts falling due after more than one year	16	1,527	1,215
Provisions for liabilities and charges	17	144	282
		<u>5,843</u>	<u>3,379</u>
<b>Capital and reserves</b>			
Called up share capital	18	4,751	3,207
Share premium account	18	520	—
Reserves	19	572	172
		<u>5,843</u>	<u>3,379</u>

Approved by the board of directors on 19th June 1991

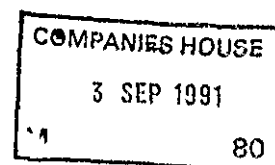
On behalf of the Board

*C M Jones*

C M Jones

Director

The notes on pages 14 to 22 form part of these accounts.



# Source and Application of Funds

for the year ended 31st March 1991

	1991		1990	
	£'000	£'000	£'000	£'000
<b>Source of funds</b>				
Profit/(loss) on ordinary activities before taxation		782		(1,686)
Extraordinary loss		—		(266)
Provision against investment		—		10
Depreciation less profit on disposal of fixed assets		470		414
Amortisation of grants		(37)		—
		<u>1,215</u>		<u>(1,528)</u>
<b>Generated from operations</b>		1,215		(1,528)
<b>Funds from other sources</b>				
Hire purchase and leasing		79		96
Issue of shares (net of issue expenses)		915		18
Loan received		285		127
Disposal of fixed assets		100		206
Grants received		187		—
		<u>2,781</u>		<u>(1,081)</u>
<b>Application of funds</b>				
Cash element of acquisition of subsidiary (see note 12)		293		—
Purchase of fixed assets		599		542
Dividends		128		128
Loan repayments		140		94
Tax paid		75		22
		<u>1,235</u>		<u>786</u>
<b>Reduction in working capital</b>				
Stock		(583)		(1,148)
Debtors		191		41
Creditors and provisions		(111)		968
		<u>(503)</u>		<u>(139)</u>
		<u>732</u>		<u>647</u>
<b>Decrease/(increase) in net bank borrowings</b>		<u>2,049</u>		<u>(1,728)</u>



## Notes to the Accounts

1	TURNOVER	1991 £'000	1990 £'000
	Knitwear	10,710	11,015
	Dyeing	7,443	6,768
	Engineering	2,926	—
	Discontinued operation	—	1,171
		<u>21,079</u>	<u>18,954</u>
	Overseas turnover included above:		
	EEC	4,033	3,188
	Scandinavia	475	857
	North America	19	78
	Other	104	136
		<u>4,636</u>	<u>4,259</u>
2	EXCEPTIONAL COSTS		
	Re-organisation costs:		
	Knitwear	—	1,061
	Head office	171	68
	Discontinued operation	—	122
		<u>171</u>	<u>1,251</u>
3	INTEREST PAYABLE		
	Bank and other interest	616	534
	Debenture	8	8
	Finance leases and HP agreements	38	20
	On loans falling due beyond five years	145	17
		<u>807</u>	<u>579</u>
4	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
	These figures are stated after charging/(crediting):		
	Depreciation — ordinary activities	493	458
	— exceptional	—	120
	Profits on disposal of fixed assets	(23)	(164)
	Hire of plant and other equipment	316	302
	Directors' remuneration — fees	10	2
	— other emoluments	209	137
	Compensation to former directors	58	58
	Ex gratia payment to former director	3	—
	Audit fees	33	30
	Amortisation of government grants	(37)	—
5	EMPLOYEES		
	Average number of persons employed:		
	Knitwear	373	518
	Dyeing	360	393
	Engineering	78	—
	Discontinued operation	—	8
		<u>811</u>	<u>919</u>

## Notes to the Accounts

### 5 EMPLOYEES (continued)

	1991	1990
	£'000	£'000
Staff costs during the year:		
Wages and salaries	6,658	6,824
Social security costs	574	526
Other pension costs	67	70
	<u>7,299</u>	<u>7,420</u>

### 6 DIRECTORS' REMUNERATION

Remuneration (excluding pension contributions and compensation for loss of office) of directors was as follows:

	1991	1990
	£'000	£'000
Chairman (and highest paid director)	50	37
Other directors:	Number	Number
Nil — £5,000	—	2
£5,001 — £10,000	1	2
£10,001 — £15,000	1	—
£25,001 — £30,000	2	—
£35,001 — £40,000	1	1
£40,001 — £45,000	—	1
£45,001 — £50,000	1	—

### 7 TAXATION

	1991	1990
	£'000	£'000
(a) UK Corporation tax at 34%	21	—
Advance corporation tax written off	71	43
	<u>92</u>	<u>43</u>

(b) No provision has been made for deferred tax. The potential liability in terms of tax at 33% (1990: 35%) is as follows:

	1991		1990
	Group	Company	Group
	£'000	£'000	£'000
Accelerated capital allowances	160	(64)	49
Timing difference on pension fund surplus	369	369	407
Short term timing differences	76	(62)	(228)
Losses available for offset	(456)	(400)	(449)
	<u>149</u>	<u>(157)</u>	<u>(221)</u>
ACT recoverable	(113)	—	—
	<u>36</u>	<u>(157)</u>	<u>(221)</u>

Properties are not held for the purposes of resale and the potential deferred tax effect of disposal at their revalued amounts has not been quantified.

Losses carried forward by the holding company amount to £1,212,000 (1990: £1,256,000). Losses carried forward by a subsidiary amount to £170,000 (1990: £Nil). There is recoverable advance corporation tax of £705,000 (1990: £634,000).





## Notes to the Accounts

### 8 EXTRAORDINARY LOSS

	1991 £'000	1990 £'000
Loss on disposal of Realmtree	—	266

### 9 DIVIDENDS

Interim declared 0.6p per share (1990: 0.5p)	57	32
Final proposed 1.65p per share (1990: 1.5p)	157	96
	<u>214</u>	<u>128</u>

### 10 TANGIBLE FIXED ASSETS

	Land and buildings		Plant and equipment	Total
(a) Group	Freehold	Short leasehold		
COST OR VALUATION	£'000	£'000	£'000	£'000
At 1st April 1990	2,915	52	5,896	8,863
Additions	24	—	575	599
On acquisition of subsidiaries	2,400	—	891	3,291
Disposals	(60)	—	(215)	(275)
At 31st March 1991	<u>5,279</u>	<u>52</u>	<u>7,147</u>	<u>12,478</u>
1989 valuation	2,759	52	—	2,811
Cost	<u>2,520</u>	<u>—</u>	<u>7,147</u>	<u>9,667</u>

#### DEPRECIATION

At 1st April 1990	54	1	4,535	4,590
On acquisition of subsidiaries	—	—	188	188
Charge for the year	48	1	444	493
Released on disposal	—	—	(198)	(198)
At 31st March 1991	<u>102</u>	<u>2</u>	<u>4,969</u>	<u>5,073</u>

#### NET BOOK AMOUNT

At 31st March 1991	<u>5,177</u>	<u>50</u>	<u>2,178</u>	<u>7,405</u>
At 31st March 1990	<u>2,861</u>	<u>51</u>	<u>1,361</u>	<u>4,273</u>

On a historical cost basis, freehold land and buildings would be included at a net book amount of £3,876,000 (1990 £1,482,000).

# Notes to the Accounts

## 10 TANGIBLE FIXED ASSETS (continued)

### (b) Company

	Plant and equipment £'000
COST	
At 1st April 1990	5,896
Additions	431
Disposals	(273)
At 31st March 1991	<u>6,054</u>
DEPRECIATION	
At 1st April 1990	4,535
Charge for the year	351
Disposals	(196)
At 31st March 1991	<u>4,690</u>
NET BOOK AMOUNT	
At 31st March 1991	<u>1,364</u>
At 31st March 1990	<u>1,361</u>

The following amounts are included in respect of assets held under hire purchase agreements and finance leases:

	Group Plant & Equipment		Company Plant & Equipment	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000
Cost	878	567	675	567
Depreciation	(431)	(418)	(390)	(418)
Net book amount	<u>447</u>	<u>149</u>	<u>285</u>	<u>149</u>

Capital expenditure authorised and committed by the directors but not provided for in these accounts was £Nil (1990 £73,000), and authorised by the directors but not committed totalled £55,000 (1990 £29,000).

## 11 INVESTMENTS

	Shares in group companies £'000	Loans to group companies £'000
At 1 April 1990	73	3,569
Additions (Note 12)	1,883	—
Repayments	—	(733)
Provisions	(2)	—
At 31st March 1991	<u>1,954</u>	<u>2,836</u>

All subsidiary companies are wholly owned and are incorporated and operate in the United Kingdom. The main trading companies are:—

- Hicking Pentecost (Dyers) Limited
- Hicking Pentecost & Co (NI) Limited
- The British Textile Manufacturing Company Limited
- Straven Limited
- Straven Knitwear Limited

- Hicking Properties Limited
- Forgemasters PLC\*
- Garth Estates Limited\*
- BCS (Engineers and Contractors) Limited\*

\*Subsidiaries of Forgemasters (Holdings) Limited



## Notes to the Accounts

### 12 FORGEMASTERS (HOLDINGS) LIMITED

On 23rd July 1990 the Group acquired the entire issued share capital of Forgemasters (Holdings) Limited. The consideration of £1,883,000 including expenses was satisfied as follows:

	£'000
Issue of 1,597,222 Ordinary shares at 72p	1,150
Issue of loan notes	440
Cash	293
	<u>1,883</u>
Net Assets acquired (see below)	1,491
Goodwill (note 19)	<u>392</u>

	Book Value £'000	Reorganisation Provision £'000	Accounting Policy Alignment £'000	Fair Value £'000
<b>FIXED ASSETS</b>				
Tangible assets	3,103	—	—	3,103
<b>CURRENT ASSETS</b>				
Stock	344	—	—	344
Debtors	780	—	—	780
<b>TOTAL ASSETS</b>	<u>4,227</u>	<u>—</u>	<u>—</u>	<u>4,227</u>
<b>LIABILITIES</b>				
Creditors:				
Bank overdraft	332	—	—	332
Loans	1,033	—	—	1,033
Trade creditors	741	—	—	741
Taxation	8	—	—	8
Other creditors	253	—	19	272
Hire purchase	119	—	—	119
Provisions	—	231	—	231
<b>TOTAL LIABILITIES</b>	<u>2,486</u>	<u>231</u>	<u>19</u>	<u>2,736</u>
<b>Net Assets</b>	<u>1,741</u>	<u>(231)</u>	<u>(19)</u>	<u>1,491</u>

The results of Forgemasters (Holdings) Limited and its subsidiaries have been included in the consolidated accounts since the date of acquisition. The loss after tax of those companies for the period 1st April, 1990 to the date of acquisition was £65,658.

### 13 STOCK

	1991 Group £'000	1991 Company £'000	1990 Group £'000	1990 Company £'000
Raw materials	593	418	387	387
Work in progress	1,148	1,062	1,053	1,053
Finished stock	422	422	962	962
	<u>2,163</u>	<u>1,902</u>	<u>2,402</u>	<u>2,402</u>

## Notes to the Accounts

14 DEBTORS	1991 Group £'000	1991 Company £'000	1990 Group £'000	1990 Company £'000
Trade debtors	4,342	3,294	3,085	2,390
Other debtors	68	46	239	212
Prepayments	1,222	1,208	1,337	1,294
Due from group companies	—	614	—	—
	<u>5,632</u>	<u>5,162</u>	<u>4,661</u>	<u>3,896</u>

Prepayments include £1,119,000 (1990 £1,159,000) in respect of employer's pension contributions (see note 22).

15 CREDITORS: amounts falling due within one year	1991 Group £'000	1991 Company £'000	1990 Group £'000	1990 Company £'000
8.5% Debenture Stock 1986/91	—	—	90	90
Bank overdrafts	1,656	1,543	3,374	3,374
Trade creditors	2,171	1,328	1,371	1,346
Hire purchase & leasing	106	80	46	46
Amounts owed to group companies	—	643	—	—
Corporation tax	101	72	75	75
Other taxation and social security	625	503	597	597
Other creditors	423	250	64	54
Accruals	799	810	724	650
Loans	77	31	36	36
Proposed dividend	214	214	128	128
Loan notes (note 16)	44	44	—	—
Deferred grant income	183	89	33	33
	<u>6,399</u>	<u>5,607</u>	<u>6,538</u>	<u>6,429</u>

### Borrowing powers

Under the Articles of Association the directors have the power to borrow up to twice the sum of paid up share capital and consolidated capital and revenue reserves of Hicking Pentecost PLC.

### 16 CREDITORS: amounts falling due after more than one year

	1991 Group £'000	1991 Company £'000	1990 Group £'000	1990 Company £'000
Bank loans	915	—	—	—
Other secured loans	482	154	170	170
Hire purchase and leasing	256	148	118	118
Amounts owed to group companies	—	929	—	927
Loan notes	396	396	—	—
	<u>2,049</u>	<u>1,627</u>	<u>288</u>	<u>1,215</u>
Due between 1 and 2 years	216	147	81	81
Due between 2 and 5 years	528	247	113	113
Due beyond 5 years	1,305	1,233	94	1,021
	<u>2,049</u>	<u>1,627</u>	<u>288</u>	<u>1,215</u>

# Notes to the Accounts

## 16 CREDITORS (continued)

The loans and overdrafts are secured by fixed and floating charges on the group's assets and by legal mortgages on certain of the group's properties.

Bank loans comprise £650,000 with interest fixed at 11% until 1993 and £265,000 with interest fixed at 1.75% over Lloyds Bank base rate until 1993. Capital repayments commence in 1993 on both loans and the repayment term is 25 years.

Other secured loans have varying terms as follows:

Interest payable	- Nil to 13%
Repayment	- 2 to 8 years
Security	- Charges on certain group assets

Loan notes carry interest at 1% under National Westminster Bank base rate and are repayable in annual instalments of £44,000 commencing 1991.

## 17 PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Company £'000
At 1st April 1990	282	282
Established during the year (note 12)	231	-
Utilised during the year	(138)	(138)
At 31st March 1991	<u>375</u>	<u>144</u>

Provisions utilised relate to the knitwear division. The balance of the provision relates to the proposed relocation of the knitwear division's factory at Alford, Lincolnshire and to the reorganisation of Forgemasters (Holdings) Limited and its subsidiaries.

## 18 CALLED UP SHARE CAPITAL

	1991		1990	
	Authorised £'000	Allotted and fully paid £'000	Authorised £'000	Allotted and fully paid £'000
Ordinary shares of 50p each	<u>7,000</u>	<u>4,751</u>	<u>4,000</u>	<u>3,207</u>

On 23rd July 1990 the company:

- Increased the authorised share capital by the creation of 6,000,000 new ordinary shares of 50p each.
- Issued 1,597,222 50p shares at 72p in part consideration for the acquisition of Forgemasters (Holdings) Limited.
- Issued 1,470,868 50p shares at 68p by way of Open Offer to shareholders to reduce group borrowings.

Options were exercised over 21,000 shares at 52p during the year. Further options were granted over 95,000 shares at 72p and these may be exercised between 1992 and 2000.

Movements on the share premium account resulting from the above share issues are:

	Group and Company £'000
Premium on shares issued this year	616
Less: issue expenses	(96)
At 31st March 1991	<u>520</u>

A maximum of £900,000 additional consideration is payable in respect of the acquisition of Forgemasters (Holdings) Limited. This is dependent on future profits and is to be settled by the issue of additional ordinary shares (maximum 1.8 million).

# Notes to the Accounts

## 18 CALLED UP SHARE CAPITAL (continued)

At 31st March 1991, options under the Senior Executive Share Option Scheme were outstanding in respect of 353,966 shares as follows:

Year of Grant	Latest date for exercise	Option Price	No. of shares
1985	13 December 1995	50p	55,000
1987	1 July 1992	52p	30,000
1987	2 July 1997	52p	89,000
1988	7 January 1998	50p	27,000
1988	3 July 1993	70p	5,966
1988	13 June 1998	70p	20,000
1989	9 May 1991	119p	7,000
1989	31 July 1992	119p	15,000
1990	31 July 1992	75p	10,000
1990	31 July 1992	72p	5,000
1990	1 August 2000	72p	90,000

## 19 RESERVES

	Group Revaluation Reserve £'000	Profit & Loss Account £'000	Company Profit & Loss Account £'000
At 1st April 1990	1,379	(354)	172
Profit for the year	—	476	400
Realised on property disposals	(52)	52	—
Revaluation transfer	(27)	27	—
Goodwill written off on consolidation	—	(392)	—
At 31st March 1991	<u>1,300</u>	<u>(191)</u>	<u>572</u>

Under the provisions of section 230 of the Companies Act 1985 no profit and loss account has been presented for the holding company. The profit dealt with in the accounts of the holding company is £614,000.

## 20 EARNINGS PER SHARE

	1991 £'000	1990 £'000
The calculation of earnings per 50p share is based on:		
Profit/(loss) after taxation and before extraordinary items	<u>690</u>	<u>(1,729)</u>
Weighted average number of Ordinary shares in issue during the year	<u>8,558,363</u>	<u>6,425,417</u>

There is no material difference between fully diluted and undiluted earnings per share.

## 21 LEASE COMMITMENTS

	1991 £'000	1990 £'000
Operating lease rentals — included in hire of plant (note 4)	<u>299</u>	<u>295</u>
Commitments under operating leases to be paid next year where the commitments expire:	Plant & equipment	Plant & equipment
Within that year	38	56
Within 2 to 5 years	<u>129</u>	<u>150</u>
	<u>167</u>	<u>206</u>



## Notes to the Accounts

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### 21 LEASE COMMITMENTS (continued)

	1991 £'000	1990 £'000
Net commitments under finance leases:		
Payable within		
1 year	78	46
2 to 5 years	148	118
	<u>226</u>	<u>164</u>

### 22 PENSIONS

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group and are financed through a separate trustee administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5.4 million and that the actuarial value of those assets represented 130% of the benefit that had accrued to members after allowing for expected future increases in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 10% per annum and dividend growth 5.5%, that salary increases would average 7.5% per annum and that present and future pensions would increase at the rate of 3% per annum.

The pension charge for the year was £67,000 (1990 £70,000) which is net of £116,000 (1990 £116,000) interest accrued on the past service pension surplus.

The regular cost to the company in the year to March 31st 1991 amounted to 8% of pensionable salaries for staff members and 5.4% of pensionable salaries for non-staff members with employee contributions of 5% and 3.25% respectively. The next actuarial valuation as at April 6th 1991 is currently being prepared.

## Five year record

	1991	1990	1989	1988	1987
	£'000	£'000	£'000	£'000	£'000
Turnover	21,079	18,954	19,160	16,505	14,586
Operating profit	1,760	144	1,106	547	365
Exceptional costs	171	1,251	—	—	—
Interest payable	807	579	383	178	212
Profit/(loss) on ordinary activities before taxation	<u>782</u>	<u>(1,686)</u>	<u>723</u>	<u>369</u>	<u>153</u>
Net assets					
Fixed assets	7,405	4,273	4,328	2,802	2,470
Net current assets	1,024	247	1,199	2,631	2,609
Long term finance	<u>(2,049)</u>	<u>(288)</u>	<u>(354)</u>	<u>(380)</u>	<u>(352)</u>
	<u>6,380</u>	<u>4,232</u>	<u>5,173</u>	<u>5,053</u>	<u>4,727</u>
Capital and reserves					
Called up share capital	4,751	3,207	3,189	3,189	3,189
Reserves	<u>1,629</u>	<u>1,025</u>	<u>1,984</u>	<u>1,864</u>	<u>1,538</u>
	<u>6,380</u>	<u>4,232</u>	<u>5,173</u>	<u>5,053</u>	<u>4,727</u>
Earnings/(loss) per share	8.06p	(26.91p)	10.59p	5.57p	2.38p
Dividend per share	2.25p	2.0p	2.0p	0.5p	—
Net assets per share	67p	66p	81p	79p	74p





## Shareholders' Notes

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