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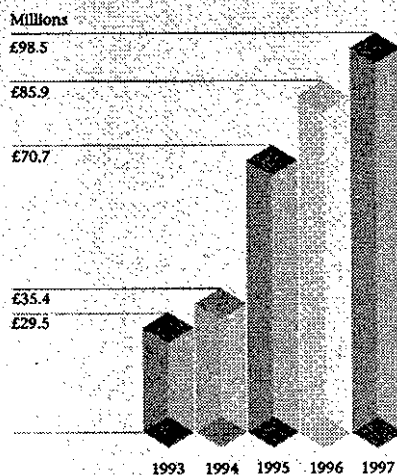


## FINANCIAL HIGHLIGHTS

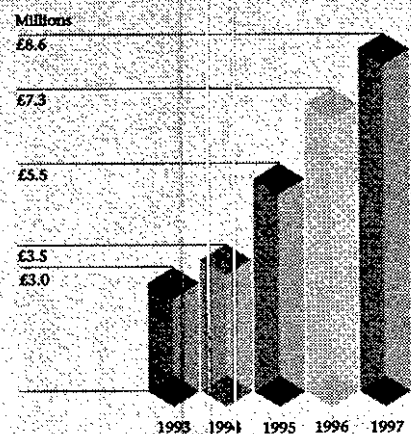
|                     |                      |        |
|---------------------|----------------------|--------|
| Turnover            | <b>£98.5 million</b> | up 15% |
| Operating profit*   | <b>£8.6 million</b>  | up 17% |
| Earnings per share* | <b>23.2p</b>         | up 14% |
| Dividends per share | <b>7.4p</b>          | up 14% |

## FIVE YEAR RECORD

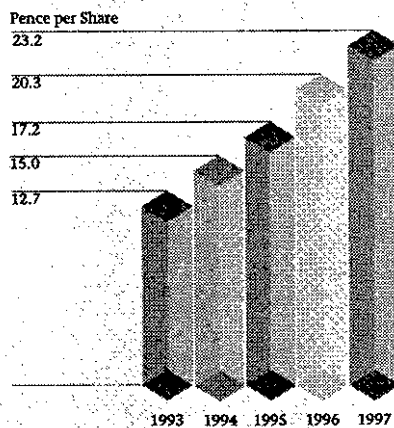
## TURNOVER



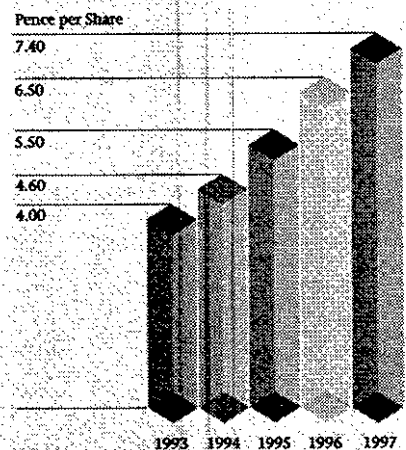
## OPERATING PROFIT\*



## EARNINGS PER SHARE\*



## DIVIDENDS PER SHARE



\* before exceptional charges

## GROUP PROFILE

- ◆ Hicking Pentecost now encompasses specialist industrial thread, knitwear and industrial products.
- ◆ Hicking Pentecost is dedicated to increasing value for shareholders by continued growth in earnings per share and dividends.
- ◆ Annual growth in both earnings and dividends per share has averaged in excess of 20% per annum compound over the past six years.
- ◆ We have achieved this growth by improving operating performance, organic growth, and through selective acquisitions.

## DIRECTORS' BIOGRAPHIES

**TUDOR  
DAVIES**  
CHIEF EXECUTIVE

Aged 45, he joined the board in 1990. He is a chartered accountant with a wide industrial experience and was previously a partner in corporate recovery with one of the "Big 6" firms.

**CERI  
JONES**  
FINANCE DIRECTOR

Aged 37, is a chartered accountant and joined the board in 1990. Following public practice experience with "Big 6" firms he switched to industry in 1986.

**SIMON  
LITTLE**  
OPERATIONS DIRECTOR

Aged 46, joined in 1991 and was appointed to the board in April 1995. He has an industrial background with several "blue chip" companies.

**HAMISH  
GROSSART**  
NON-EXECUTIVE  
CHAIRMAN

Aged 40, joined the board in 1991 and was appointed non-executive Chairman in 1994. He is a director of several other listed companies.

## CHAIRMAN'S STATEMENT

In the year to 31 March 1997, excellent progress was made in the development of the scale and quality of the group's business and record results were again achieved.

The year's highlight was undoubtedly the acquisition of Belding which was completed just before the year end. This step was part of the group's strategy to build a leading global position in specialist industrial thread.

Over 70% of group sales now come from the manufacture and distribution of industrial threads. This business has quality earnings, good growth prospects, broad geographical spread, a technological edge, global customers, and scope for margin improvement through efficiency and rationalisation measures.

## RESULTS

Group turnover in the twelve months to 31 March 1997 grew 15% to £98.5m. There was almost no contribution from the Belding purchase as it was completed on 26 March 1997 a few days before the year end.

Operating profit before exceptional reorganisation charges rose 17% to £8.6m, and the overall operating margin was ahead of last year at 8.7%. Industrial Threads produced an excellent performance, raising margins from 8.6% to 10.7%, but the effect of this was partially offset by lower margins in Knitwear and Industrial Products. Production rationalisation through closure in Industrial Threads resulted in

an exceptional reorganisation charge of £1.7m. Interest charges rose to £1.4m reflecting additional debt taken on to finance acquisitions.

Earnings per share before the exceptional reorganisation charge rose a healthy 14% to a record 23.2 pence per share.

## FINANCIAL POSITION

At 31 March 1997, net assets totalled £40.9m and net debt £28.4m, a balance sheet gearing ratio of 69%.

Interest was covered 5.9 times by operating profit before exceptional costs.

Operating cash flow before reorganisation costs was £7.1m. Higher tax and dividends absorbed £2.6m and reorganisation and capital expenditure a further £3.1m. A total of £35.3m was spent on acquisitions financed by a capital issue of £23.0m net of expenses and an increase in bank borrowings.

## DIVIDEND

As a result of the excellent underlying progress in earnings the board is recommending a final dividend of 5.0 pence (net) per ordinary share. When taken together with the interim dividend of 2.4 pence (net) already paid, the total for the year would be 7.4 pence (net), an increase of 14% over last year's total.

## CURRENT YEAR

Sales in the first 2 months of the current year are ahead of last year, and in particular, the initial performance from Belding is encouragingly ahead of expectation at the time of acquisition.

Overall the group is set fair for a further year of progress, driven primarily by the outlook for its largest division Industrial Threads, and a recovery from the smaller Knitwear and Industrial Products divisions.

**HM Grossart**  
Chairman

## CHIEF EXECUTIVE'S REVIEW

For the seventh successive year and consistent with our objectives and carefully planned strategy we are again reporting double digit growth in earnings and dividends. The acquisition of leading specialist thread group Belding has strengthened our global market position, and added new technology for the production of industrial threads which can be exploited worldwide.

Sales and margins from Industrial Threads have continued to improve. These improvements have compensated for the reduced returns from our smaller Knitwear and Industrial Products divisions, which are exposed to the more difficult U.K. and European economies.

## INDUSTRIAL THREADS

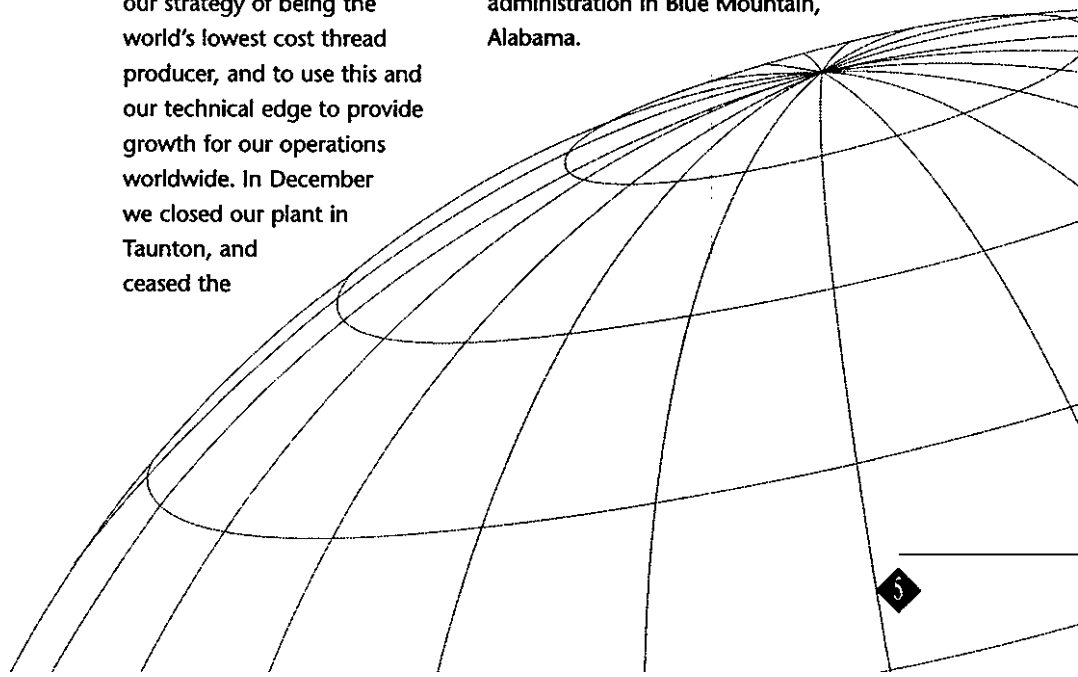
This business provided £6 million and 70% of operating profit (before exceptional costs) during the year. As a proportion of turnover and group profits this is set to increase considerably with the inclusion of Belding (historic turnover approximately £41 million) for a full year.

The two significant events this year were the commencement of production rationalisation within our Barbour business, and the acquisition of Belding in the U.S. Both these events entailed re-organisation and exceptional charges.

Our production rationalisation is in line with our strategy of being the world's lowest cost thread producer, and to use this and our technical edge to provide growth for our operations worldwide. In December we closed our plant in Taunton, and ceased the

production of our marginal spinning activities in Eire. Thread production has been expanded in our existing facilities in Longford, Eire. These measures are being followed by the modernisation of our Lisburn Northern Ireland facilities, and will yield substantial benefits.

The acquisition of Belding in the U.S. represented a further significant step in our strategy of developing the Industrial Threads division into the world leader in specialist threads. Belding brings new proprietary technology, a wider product range and an enlarged customer base. Prior to the year end we made substantial progress integrating Belding's Charlotte head office into our existing administration in Blue Mountain, Alabama.



Sales distribution and warehousing have been rationalised and combined with our existing Blue Mountain business, and in the Far East Belding's operations have been assimilated into the stronger

Barbour network. The re-branding of all our U.S. businesses under the Barbour banner unites a proliferation of disparate trading names under a powerful global identity through which we already trade in more than 30 countries worldwide.

#### **KNITWEAR**

Our Knitwear business is the original Hicking business and for seven years has been a steady performer with double digit operating margins.

This year the Knitwear division produced a satisfactory although reduced margin of 9% on increased sales of £26 million. Our business manufactures middle to upper market brands under the Straven and Alan Paine names, as well as supplying own label products for major

department stores in U.K., Europe and U.S.A. Part of the decline in margin was due to production inefficiencies in one of our plants which has been addressed through a change in management.

#### **INDUSTRIAL PRODUCTS**

Our business in water storage systems and pipe fittings continued to be adversely affected by intense competition and reduced demand from the water and construction industry. Sales have declined and margins reduced. Recent months have seen the beginning of a return to more normal trading conditions.

#### **MANAGEMENT AND STAFF**

On behalf of the board I would like to thank management and staff for their contribution during the year. The employees of our thread business in particular are involved in the upgrade and modernisation of our production facilities and we are encouraged by their positive approach to the changes this brings.

### **OUTLOOK**

This year will benefit by twelve months contribution from Belding whose operations have already benefited from combining with Blue Mountain, and from the continuing strength of the U.S. economy.

We see scope for gains through the rationalisation and modernisation programmes that are underway within the Industrial Threads division. The Belding acquisition also brings additional products, technology, and customers. We expect to grow sales by offering a wide range of threads under the Barbour name to provide a total sewing solution for our customers throughout the world.

**Tudor G Davies**  
Chief Executive

## DIRECTORS' REPORT

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**The directors submit their annual report and audited accounts for the year ended 31 March 1997.**

### PRINCIPAL ACTIVITIES

The principal activities of the group are carried out by its Industrial Threads, Knitwear and Industrial Products divisions. Further details are given in the Chief Executive's Review.

The operating companies principally affecting the profit or assets of the group in the year are listed in note 10 to the accounts.

### BUSINESS REVIEW

The development of the group's business during the financial year and its position at 31 March 1997 are dealt with in the Chairman's Statement and the Chief Executive's Review.

### RESULTS AND DIVIDENDS

The group profit after tax for the year was £4,041,000. The board is recommending a final dividend per share of 5p to bring the total for the year to 7.4p (1996: 6.5p). The final dividend will, if approved, be paid on 31 July 1997 to shareholders on the register on 4 July 1997. The total dividend for the year will cost £2,157,000 with the balance of £1,884,000 transferred to reserves.

### ACQUISITIONS

Details of the acquisitions of Belding Thread and Hoogen are given in the Chief Executive's Review and in note 11 to the accounts.

### DIRECTORS

The directors at the year end and their beneficial interests in the shares of the company were:

|                         | SHARES  |         |
|-------------------------|---------|---------|
|                         | 1997    | 1996    |
| H M Grossart (Chairman) | 5,000   | 10,250  |
| T G Davies              | 633,099 | 631,433 |
| C M Jones               | 57,400  | 102,400 |
| S C M Little            | 6,470   | 5,455   |

Mr H M Grossart is a director and significant shareholder of Petronius Limited which held a further 50,000 shares at 31 March 1997 (1996: 75,000).



Details of directors' share options are set out in the Remuneration Committee Report on pages 33 and 34. There were no changes in directors' shareholdings or share options between 31 March 1997 and 10 June 1997. No director had an interest during the year in any significant contract of the company or its subsidiaries.

## RE-ELECTION

In accordance with the Articles of Association Mr S C M Little retires by rotation and, being eligible, offers himself for re-election. Details of executive directors' service contracts are given in the Remuneration Committee Report on pages 33 and 34.

## MAJOR SHAREHOLDINGS

The company was aware of the following holdings of 3 per cent or more in the issued capital of the company at 29 May 1997.

|   | %    |
|---|------|
| Scottish Amicable Investment Managers Limited     | 11.1 |
| Mercury Asset Management Limited                  | 6.2  |
| Edinburgh Fund Managers PLC                       | 6.0  |
| Baillie Gifford & Co                              | 5.1  |
| AMP Asset Management Limited                      | 3.7  |
| Prudential Portfolio Managers Limited             | 3.6  |
| BZW Investment Management Limited                 | 3.3  |
| Industrial Development Board for Northern Ireland | 3.2  |
| Clerical Medical Investment Group                 | 3.1  |
| Foreign & Colonial Management Limited             | 3.0  |

## ANNUAL GENERAL MEETING RESOLUTIONS

In addition to the Ordinary Business of the Annual General Meeting, shareholders will be asked to consider the following Special Business concerning the directors' authority to allot unissued shares and to authorise repurchase of the company's own shares.

The company's Articles of Association provide for the shareholders giving the directors annually renewable authority to allot unissued shares, and in certain circumstances and subject to certain limits to disapply statutory pre-emption rights.

The current authority, which expires at this year's Annual General Meeting, gives the directors power to allot unissued shares amounting to approximately 28 per cent, and to disapply pre-emption rights in relation to approximately 5 per cent, of the issued share capital as at the date of the 1996 Annual General Meeting.

The directors seek renewal of such authority until the 1998 Annual General Meeting and the Ordinary and Special Resolutions in the Notice of Annual General Meeting deal with such renewal. The amounts stated in the resolutions equal approximately 26 per cent and 5 per cent of the current issued share capital.

The company seeks authority to purchase and cancel up to 3,172,180 ordinary shares of the Company, representing 10% of the Company's existing issued ordinary shares, through market purchases on the London Stock Exchange. The maximum price to be paid on the exercise of the authority is 5% above the average of the middle market quotations for the Company's ordinary shares for the ten business days immediately preceding the day of a purchase. The minimum price is 50p per share.

The directors consider that it is desirable and in the best interests of the Company that this authority be granted at the forthcoming annual general meeting in the terms of resolution number 7 in the notice of meeting on page 39. The directors have no immediate intention to utilise this authority and would only propose doing so if satisfied that this was in the best long-term interests of shareholders.

#### **PAYMENT TO SUPPLIERS**

The group's policy is to pay suppliers in accordance with the contract terms agreed with them or, in the absence of such contract terms, in accordance with the business unit's own standard terms of trading, provided that the supplier is also complying with all the relevant terms and conditions. Average days credit taken by the group to pay suppliers is 58.

#### **EMPLOYEE INVOLVEMENT**

Each business unit in the group is encouraged to make its employees aware of the financial and economic factors affecting its performance. Business units develop their own consultative policies such as regular management briefings.

The group 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 £5,900 and there were no political contributions.


#### **TAXATION STATUS**

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988 and the position has not changed between 31 March 1997 and the date of this report.

#### **AUDITORS**

The auditors, Price Waterhouse, are willing to continue in office, and a resolution proposing their re-appointment and authorising the directors to fix their remuneration will be proposed at the annual general meeting.

By Order of the Board



**C M Jones**  
Secretary

10 June 1997

GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1997

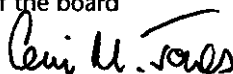
|  |       | Existing      | Acquired     | Total<br>1997 | Total<br>1996 |
|--|-------|---------------|--------------|---------------|---------------|
|  | Notes | £'000         | £'000        | £'000         | £'000         |
| <b>TURNOVER</b>                                      | 1, 2  | <u>97,398</u> | <u>1,091</u> | <u>98,489</u> | <u>85,918</u> |
| <b>OPERATING PROFIT</b>                              |       |               |              |               |               |
| <b>Operating profit before exceptional costs</b>     | 1     | 8,384         | 166          | 8,550         | 7,318         |
| Exceptional reorganisation costs                     | 4     | <u>1,260</u>  | <u>420</u>   | <u>1,680</u>  | —             |
| <b>Operating profit</b>                              | 1, 2  | <u>7,124</u>  | <u>(254)</u> | <u>6,870</u>  | <u>7,318</u>  |
| Interest payable                                     | 3     |               |              | <u>1,444</u>  | <u>915</u>    |
| <b>Profit on ordinary activities before taxation</b> | 4     |               |              | <u>5,426</u>  | <u>6,403</u>  |
| Tax on profit on ordinary activities                 | 6     |               |              | <u>1,385</u>  | <u>1,560</u>  |
| <b>Profit attributable to shareholders</b>           |       |               |              | <u>4,041</u>  | <u>4,843</u>  |
| Dividends  | 7     |               |              | <u>2,157</u>  | <u>1,541</u>  |
| <b>Retained profit</b>                               | 18    |               |              | <u>1,884</u>  | <u>3,302</u>  |
| <b>Earnings per share</b>                            | 8     |               |              |               |               |
| Basic  |       |               |              | <u>16.7p</u>  | <u>20.3p</u>  |
| Before exceptional costs                             |       |               |              | <u>23.2p</u>  | <u>20.3p</u>  |

## BALANCE SHEETS 31 MARCH 1997

|  | Notes | Group         |               | Company       |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 1997          | 1996          | 1997          | 1996          |
|  |       | £'000         | £'000         | £'000         | £'000         |
| <b>Fixed assets</b>  |       |               |               |               |               |
| Tangible assets  | 9     | 35,638        | 18,435        | 1,315         | 1,329         |
| Investments  | 10    | 593           | 780           | 74,550        | 39,695        |
|  |       | <u>36,231</u> | <u>19,215</u> | <u>75,865</u> | <u>41,024</u> |
| <b>Current assets</b>  |       |               |               |               |               |
| Stock  | 12    | 33,102        | 21,858        | —             | —             |
| Debtors due within one year                                    | 13    | 26,256        | 19,938        | 2,671         | 377           |
| Debtors due after one year                                     | 13    | 1,268         | 971           | —             | —             |
| Cash at bank and in hand                                       |       | 8,694         | 8,716         | 9,138         | 7,865         |
|  |       | <u>69,320</u> | <u>51,483</u> | <u>11,809</u> | <u>8,242</u>  |
| <b>Creditors: amounts falling due within one year</b>          |       |               |               |               |               |
| Borrowings   | 14    | 3,545         | 4,251         | 1,689         | 1,540         |
| Other  | 14    | 24,480        | 18,823        | 3,106         | 2,005         |
|  |       | <u>28,025</u> | <u>23,074</u> | <u>4,795</u>  | <u>3,545</u>  |
| <b>Net current assets</b>                                      |       | <u>41,295</u> | <u>28,409</u> | <u>7,014</u>  | <u>4,697</u>  |
| <b>Total assets less current liabilities</b>                   |       | <u>77,526</u> | <u>47,624</u> | <u>82,879</u> | <u>45,721</u> |
| <b>Creditors: amounts falling due after more than one year</b> |       |               |               |               |               |
| Borrowings   | 15    | 33,529        | 21,145        | 32,845        | 17,930        |
| Other  | 15    | 2,314         | 1,583         | 4,965         | 5,245         |
|  |       | <u>35,843</u> | <u>22,728</u> | <u>37,810</u> | <u>23,175</u> |
| <b>Provisions for liabilities and charges</b>                  |       |               |               |               |               |
| Deferred taxation  | 16    | 752           | 421           | 72            | 90            |
|  |       | <u>40,931</u> | <u>24,475</u> | <u>44,997</u> | <u>22,456</u> |
| <b>Equity</b>  |       |               |               |               |               |
| Called up share capital  | 17    | 15,861        | 11,861        | 15,861        | 11,861        |
| Share premium account  | 17    | 8,369         | 8,314         | 8,369         | 8,314         |
| Capital reserve  | 18    | 11,450        | —             | 19,029        | —             |
| Revaluation reserve  | 18    | 522           | 540           | —             | —             |
| Profit and loss account  | 18    | 4,679         | 3,710         | 1,738         | 2,281         |
| Shareholders' funds  |       | <u>40,881</u> | <u>24,425</u> | <u>44,997</u> | <u>22,456</u> |
| Minority interest  |       | 50            | 50            | —             | —             |
|  |       | <u>40,931</u> | <u>24,475</u> | <u>44,997</u> | <u>22,456</u> |

Approved by the board of directors on 10 June 1997

On behalf of the board

C M Jones  
Director

GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 1997

|  |      | 1997            | 1996           |
|--|------|-----------------|----------------|
|  | Note | £'000           | £'000          |
| <b>Net cash inflow from operating activities</b>     |      | <b>6,325</b>    | <b>7,226</b>   |
| <b>Returns on investing and servicing of finance</b> |      |                 |                |
| Interest paid  |      | (1,938)         | (1,598)        |
| Interest received                                    |      | 725             | 652            |
|  |      | (1,213)         | (946)          |
| <b>Taxation paid</b>                                 |      | <b>(1,001)</b>  | <b>(1,029)</b> |
| <b>Capital expenditure and financial investment</b>  |      |                 |                |
| Capital expenditure                                  |      | (2,609)         | (2,157)        |
| Sale of fixed assets                                 |      | 163             | 194            |
| Grants received                                      |      | 55              | 475            |
| Repayment of loans by associated undertakings        |      | 52              | 243            |
|  |      | (2,339)         | (1,245)        |
| <b>Acquisitions and disposal</b>                     |      |                 |                |
| Purchase of businesses                               | 11   | (35,269)        | (14,581)       |
| Disposal of business                                 |      | —               | 2,493          |
|  |      | (35,269)        | (12,088)       |
| <b>Equity dividends paid</b>                         |      | <b>(1,616)</b>  | <b>(1,361)</b> |
| <b>Cash outflow before financing</b>                 |      | <b>(35,113)</b> | <b>(9,443)</b> |
| <b>Financing</b>                                     |      |                 |                |
| Shares issued (net of expenses)                      |      | 92              | 478            |
| Stock units issued (net of expenses)                 |      | 22,992          | —              |
| Increase in debt                                     |      | 12,058          | 11,938         |
| <b>Net cash inflow from financing</b>                |      | <b>35,142</b>   | <b>12,416</b>  |
| <b>Increase in cash for the period</b>               |      | <b>29</b>       | <b>2,973</b>   |



GROUP CASH FLOW STATEMENT (continued)  
FOR THE YEAR ENDED 31 MARCH 1997

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|  | 1997         | 1996         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Operating profit before exceptional costs            | 8,550        | 7,318        |
| Exceptional costs                                    | (1,680)      | —            |
| Depreciation less profit on disposal of fixed assets | 2,029        | 2,034        |
| Capital grant release                                | (289)        | (298)        |
| Share of (profits)/losses of associated companies    | (42)         | 85           |
| Stock increase                                       | (2,788)      | (2,460)      |
| Debtors increase                                     | (732)        | (427)        |
| Creditors increase                                   | 1,277        | 974          |
| <b>Net cash inflow from operating activities</b>     | <b>6,325</b> | <b>7,226</b> |

In respect of the exceptional costs above the cash outflow in the current year was £803,000.

**ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR**

|                                  | At 31<br>March<br>1996 | On<br>Acquisi-<br>tion | Cashflow | Exchange<br>Movement | At 31<br>March<br>1997 |
|----------------------------------|------------------------|------------------------|----------|----------------------|------------------------|
|                                  | £'000                  | £'000                  | £'000    | £'000                | £'000                  |
| Cash at bank and in hand         | 8,716                  | —                      | 103      | (125)                | 8,694                  |
| Overdrafts                       | (550)                  | —                      | (74)     | 69                   | (555)                  |
|                                  | 8,166                  | —                      | 29       | (56)                 | 8,139                  |
| Debt due within one year         | (3,664)                | (580)                  | 1,112    | 164                  | (2,968)                |
| Debt due after one year          | (21,116)               | (337)                  | (13,183) | 1,133                | (33,503)               |
| Finance leases and hire purchase | (66)                   | —                      | 13       | 5                    | (48)                   |
|                                  | (16,680)               | (917)                  | (12,029) | 1,246                | (28,380)               |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

|  | 1997     | 1996     |
|--|----------|----------|
|  | £'000    | £'000    |
| Increase in cash in the period                                   | 29       | 2,973    |
| Cashflow from increase in debt, finance leases and hire purchase | (12,058) | (11,938) |
| Change in net debt resulting from cash flows                     | (12,029) | (8,965)  |
| Loans acquired with purchase of business                         | (917)    | —        |
| Foreign exchange adjustments                                     | 1,246    | (718)    |
| Movement in net debt in period                                   | (11,700) | (9,683)  |
| Net debt at beginning of period                                  | (16,680) | (6,997)  |
| Net debt at end of period  | (28,380) | (16,680) |

STATEMENT OF TOTAL RECOGNISED GAINS  
AND LOSSES FOR THE YEAR ENDED  
31 MARCH 1997

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|  | Group |       |
|--|-------|-------|
|  | 1997  | 1996  |
|  | £'000 | £'000 |
| Profit attributable to shareholders                              | 4,041 | 4,843 |
| Foreign exchange adjustments on foreign currency net investments | (841) | 294   |
| Total recognised gains for the financial year                    | 3,200 | 5,137 |

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

|   | Group |       |
|---|-------|-------|
|   | 1997  | 1996  |
|   | £'000 | £'000 |
| Reported profit before taxation   | 5,426 | 6,403 |
| Realisation of property revaluation gains of previous years   | —     | 594   |
| Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | 18    | 18    |
| Historical cost profit before taxation  | 5,444 | 7,015 |
| Historical cost profits for the year retained after taxation and dividends  | 1,902 | 3,914 |

## MOVEMENT IN SHAREHOLDERS' FUNDS

|                                      | Group   |         |
|--------------------------------------|---------|---------|
|                                      | 1997    | 1996    |
|                                      | £'000   | £'000   |
| Profit for the financial year        | 4,041   | 4,843   |
| Dividends                            | (2,157) | (1,541) |
| Goodwill                             | (7,671) | (4,765) |
| Foreign exchange adjustments         | (841)   | 294     |
| Shares issued (net of expenses)      | 92      | 478     |
| Stock units issued (net of expenses) | 22,992  | —       |
| Opening shareholders' funds          | 16,456  | (691)   |
|                                      | 24,425  | 25,116  |
| Closing shareholders' funds          | 40,881  | 24,425  |

## ACCOUNTING POLICIES

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### **Basis of accounting**

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

### **Basis of consolidation**

The consolidated accounts comprise 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.

The group accounts include the appropriate share of the results of the two associated undertakings. The results of Barbour Bitrim Threads (Proprietary) Limited are derived from audited accounts to 31 December 1996 (the year end of the other joint venture partner) and unaudited accounts for the three months to 31 March 1997. Results for Barbour Vardhman Threads Limited are derived from audited accounts to 31 March 1997.

### **Acquisitions and goodwill**

The results of acquisitions are incorporated in the consolidated accounts from the date of acquisition. On acquisition, the purchase consideration is allocated over the assessed fair values of net assets acquired and goodwill. Adjustments are also made to bring the accounting policies of businesses acquired into alignment with those of the group. The amounts attributed to goodwill are charged to reserves in the year of acquisition.

### **Turnover**

Turnover represents net amounts receivable for goods sold and services rendered to external customers.

### **Tangible assets and depreciation**

Tangible assets are stated at cost or open market existing use valuation. Depreciation is calculated on a straight line basis so as to write off assets over their estimated useful life. Rates of depreciation vary between 2% and 7% on buildings, and between 6% and 33% on plant and equipment.

### **Grants**

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

### **Leasing**

Assets held under finance leases are capitalised as tangible assets. Interest is charged to the profit and loss account over the primary period of the lease. Operating lease rentals are charged to the profit and loss account.



## ACCOUNTING POLICIES *(continued)*

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**Stock**

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes a proportion of attributable production overheads.

**Research and development**

Research and development expenditure is written off as incurred.

**Foreign currencies**

Foreign currency assets and liabilities are expressed in sterling at exchange rates ruling at the year end or at forward contract rates where applicable. Gains or losses arising on the translation of the accounts of foreign subsidiaries and on related foreign currency borrowings are taken to reserves. Other exchange gains and losses are dealt with in the profit and loss account. Profits and losses of overseas subsidiary and associated undertakings are translated into sterling at exchange rates ruling at the year end.

**Pensions**

The group operates defined benefit pension schemes for certain of its employees. The schemes are funded by contributions partly from employees and partly from the group at rates in accordance with the advice of independent actuaries following regular valuations.

Pension costs are charged to the profit and loss account over the anticipated working lives of the pension scheme members currently in service.

**Deferred taxation**

Full deferred tax provision is made for timing differences arising on pensions. Deferred taxation is provided on other timing differences only to the extent to which it is considered likely to fall due for payment in the foreseeable future.

## NOTES TO THE ACCOUNTS

**1 TURNOVER, PROFIT AND CAPITAL EMPLOYED**

|                                  | Turnover      |               | Operating Profit |              | Capital Employed |               |
|----------------------------------|---------------|---------------|------------------|--------------|------------------|---------------|
|                                  | 1997          | 1996          | 1997             | 1996         | 1997             | 1996          |
| <b>By division:</b>              | £'000         | £'000         | £'000            | £'000        | £'000            | £'000         |
| Industrial Threads               | 55,847        | 44,460        | 5,980            | 3,804        | 57,304           | 28,087        |
| Knitwear                         | 26,195        | 24,337        | 2,298            | 2,604        | 9,255            | 9,204         |
| Industrial Products              | 16,447        | 17,121        | 272              | 910          | 6,381            | 6,632         |
|                                  | <u>98,489</u> | <u>85,918</u> | <u>8,550</u>     | <u>7,318</u> | <u>72,940</u>    | <u>43,923</u> |
| Exceptional reorganisation costs |               |               | 1,680            | —            |                  |               |
| Operating profit                 |               |               | <u>6,870</u>     | <u>7,318</u> |                  |               |
| Net debt                         |               |               |                  |              | (28,380)         | (16,680)      |
| Dividends and taxation           |               |               |                  |              | (3,893)          | (3,082)       |
| Unallocated net assets           |               |               |                  |              | 264              | 314           |
| Capital and reserves             |               |               |                  |              | <u>40,931</u>    | <u>24,475</u> |

The group's operations are located in Europe, North America, Hong Kong and Australia. Geographic segmental analysis in respect of operating profit and capital employed has not been disclosed as in the opinion of the directors such disclosure would be prejudicial to the group's interests.

| <b>Turnover by destination</b> | 1997          | 1996          | <b>Turnover by origin</b> | 1997          | 1996          |
|--------------------------------|---------------|---------------|---------------------------|---------------|---------------|
|                                | £'000         | £'000         |                           | £'000         | £'000         |
| United Kingdom                 | 36,375        | 35,701        | United Kingdom            | 70,493        | 67,981        |
| Rest of Europe                 | 21,821        | 24,489        | Rest of Europe            | 8,249         | 9,489         |
| Rest of World                  | 40,293        | 25,728        | Rest of World             | 19,747        | 8,448         |
|                                | <u>98,489</u> | <u>85,918</u> |                           | <u>98,489</u> | <u>85,918</u> |

## NOTES TO THE ACCOUNTS (continued)

**2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES**

|                         | 1997   | 1996   |
|-------------------------|--------|--------|
|                         | £'000  | £'000  |
| Turnover                | 98,489 | 85,918 |
| Cost of sales           | 70,957 | 59,916 |
| Distribution costs      | 9,616  | 7,760  |
| Administrative expenses | 11,046 | 10,924 |
| Operating profit        | 6,870  | 7,318  |

The result for 1997 arises solely from continuing operations and includes cost of sales of £720,000, distribution costs of £128,000 and administrative expenses of £497,000 in respect of acquired businesses.

Exceptional reorganisation costs of £1,036,000 are included within cost of sales, £98,000 within distribution costs and £546,000 within administrative expenses.

**3 INTEREST**

|                                  | 1997  | 1996  |
|----------------------------------|-------|-------|
|                                  | £'000 | £'000 |
| Bank borrowings                  | 2,024 | 1,609 |
| Finance leases and hire purchase | 6     | 13    |
| Interest receivable              | (586) | (707) |
|                                  | 1,444 | 915   |

**4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

|  | 1997  | 1996  |
|--|-------|-------|
|  | £'000 | £'000 |
| These figures are stated after charging/(crediting): |       |       |
| Depreciation – owned assets                          | 1,989 | 1,874 |
| – finance leases and hire purchase                   | 129   | 189   |
| Profit on disposal of fixed assets                   | (89)  | (29)  |
| Operating leases                                     | 1,044 | 792   |
| Audit fees   | 120   | 110   |
| Share of (profits)/losses of associated companies    | (42)  | 85    |
| Capital grant release                                | (289) | (298) |
| Exceptional reorganisation costs                     | 1,680 | —     |

Exceptional reorganisation costs principally comprise redundancy and associated disruption costs in connection with the rationalisation of production facilities within Industrial Threads, together with the costs of reorganising the selling, distribution and administration functions in the division's US operations.

The audit fee in respect of the company only was £15,000 (1996: £13,000). Non audit fees paid to Price Waterhouse during the year amounted to £136,000 (1996: £72,000).

Directors' remuneration disclosures are contained within the Remuneration Committee Report on pages 33 and 34.

## NOTES TO THE ACCOUNTS (continued)

| 5 EMPLOYEES                                   |              | 1997          | 1996          |              |              |
|---|--------------|---------------|---------------|--------------|--------------|
| Average number of persons employed:           |              |               |               |              |              |
| Industrial Threads                            |              | 1,231         | 959           |              |              |
| Knitwear                                      |              | 784           | 776           |              |              |
| Industrial Products                           |              | 206           | 212           |              |              |
|   |              | <u>2,221</u>  | <u>1,947</u>  |              |              |
| Staff costs during the year:                  |              | 1997          | 1996          |              |              |
|   |              | £'000         | £'000         |              |              |
| Wages and salaries                            |              | 27,728        | 24,375        |              |              |
| Social security costs                         |              | 2,779         | 2,532         |              |              |
| Other pension costs                           |              | 983           | 738           |              |              |
|   |              | <u>31,490</u> | <u>27,645</u> |              |              |
| 6 TAX ON PROFIT ON ORDINARY ACTIVITIES        |              | 1997          | 1996          |              |              |
|   |              | £'000         | £'000         |              |              |
| <b>UK:</b>                                    |              |               |               |              |              |
| Corporation tax at 33%                        |              | 768           | 1,394         |              |              |
| Deferred tax                                  |              | 221           | 80            |              |              |
| Surplus advance corporation tax reinstated    |              | (84)          | (115)         |              |              |
|   |              | <u>905</u>    | <u>1,359</u>  |              |              |
| <b>(Over)/under provision in prior years:</b> |              |               |               |              |              |
| Corporation tax                               |              | (47)          | (125)         |              |              |
| Deferred tax                                  |              | 41            | 99            |              |              |
|   |              | <u>(6)</u>    | <u>(26)</u>   |              |              |
| <b>Overseas:</b>                              |              |               |               |              |              |
| Tax payable (including withholding taxes)     |              | 358           | 211           |              |              |
| Deferred tax                                  |              | 70            | (9)           |              |              |
| Associated undertakings                       |              | 58            | 25            |              |              |
|   |              | <u>486</u>    | <u>227</u>    |              |              |
|   |              | <u>1,385</u>  | <u>1,560</u>  |              |              |
| 7 DIVIDENDS                                   |              | 1997          | 1996          | 1997         | 1996         |
|   |              |               |               | £'000        | £'000        |
| Interim                                       | 2.40p        | 2.10p         |               | 571          | 496          |
| Final   | 5.00p        | 4.40p         |               | 1,586        | 1,045        |
|   | <u>7.40p</u> | <u>6.50p</u>  |               | <u>2,157</u> | <u>1,541</u> |



## NOTES TO THE ACCOUNTS (continued)

| <b>8 EARNINGS PER SHARE</b>                           | <b>1997</b>  | <b>1996</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Earnings for basic earnings per share                 | <b>4,041</b> | <b>4,843</b> |
| Exceptional costs                                     | <b>1,680</b> | <b>—</b>     |
| Taxation effects                                      | <b>(105)</b> | <b>—</b>     |
| Earnings for pre-exceptional earnings per share       | <b>5,616</b> | <b>4,843</b> |
| Weighted average number of ordinary shares (millions) | <b>24.25</b> | <b>23.80</b> |

The weighted average number of ordinary shares for 1996 has been restated to reflect the bonus element arising from the issue of convertible loan stock units on 14 January 1997 which converted into ordinary shares on a one for one basis as at 27 March 1997.

Exercise in full of all outstanding share options would not result in any material dilution of earnings per share. At 31 March 1997 there were 31.722 million shares in issue.

| <b>9 TANGIBLE FIXED ASSETS</b> | <b>Land and buildings</b> |                       |                            |               |
|--------------------------------|---------------------------|-----------------------|----------------------------|---------------|
| <b>GROUP</b>                   | <b>Freehold</b>           | <b>Long leasehold</b> | <b>Plant and equipment</b> | <b>Total</b>  |
| <b>Cost or valuation</b>       | <b>£'000</b>              | <b>£'000</b>          | <b>£'000</b>               | <b>£'000</b>  |
| At 31 March 1996               | 10,038                    | 41                    | 24,471                     | 34,550        |
| On acquisition                 | 6,254                     | —                     | 11,321                     | 17,575        |
| Foreign exchange adjustments   | (420)                     | (1)                   | (595)                      | (1,016)       |
| Additions                      | 237                       | 12                    | 2,360                      | 2,609         |
| Disposals                      | —                         | —                     | (343)                      | (343)         |
| <b>At 31 March 1997</b>        | <b>16,109</b>             | <b>52</b>             | <b>37,214</b>              | <b>53,375</b> |
| 1989 valuation                 | 1,486                     | —                     | —                          | 1,486         |
| Cost                           | 14,623                    | 52                    | 37,214                     | 51,889        |
| <b>Depreciation</b>            |                           |                       |                            |               |
| At 31 March 1996               | 674                       | 9                     | 15,432                     | 16,115        |
| Foreign exchange adjustments   | (25)                      | —                     | (202)                      | (227)         |
| Charge for the year            | 152                       | 13                    | 1,953                      | 2,118         |
| Released on disposal           | —                         | —                     | (269)                      | (269)         |
| <b>At 31 March 1997</b>        | <b>801</b>                | <b>22</b>             | <b>16,914</b>              | <b>17,737</b> |
| <b>Net book amount</b>         |                           |                       |                            |               |
| <b>At 31 March 1997</b>        | <b>15,308</b>             | <b>30</b>             | <b>20,300</b>              | <b>35,638</b> |
| At 31 March 1996               | 9,364                     | 32                    | 9,039                      | 18,435        |

On a historical cost basis, freehold land and buildings would be included at a net book amount of £14,738,000 (1996: £8,769,000). Depreciation is not provided on freehold land with a valuation of £4,879,000 (1996: £3,834,000). Assets held on hire purchase agreements and finance leases are included in plant and equipment at a cost of £1,353,000 (1996: £1,537,000) with accumulated depreciation of £901,000 (1996: £869,000).

## NOTES TO THE ACCOUNTS (continued)

**9 TANGIBLE FIXED ASSETS (continued)**

| <b>COMPANY</b>          | Freehold<br>land and buildings | Plant and<br>equipment | Total        |
|-------------------------|--------------------------------|------------------------|--------------|
| <b>Cost</b>             | £'000                          | £'000                  | £'000        |
| At 31 March 1996        | 1,566                          | 107                    | 1,673        |
| Additions               | —                              | 36                     | 36           |
| Disposals               | —                              | (23)                   | (23)         |
| <b>At 31 March 1997</b> | <b>1,566</b>                   | <b>120</b>             | <b>1,686</b> |
| <b>Depreciation</b>     |                                |                        |              |
| At 31 March 1996        | 259                            | 85                     | 344          |
| Charge for the year     | 28                             | 16                     | 44           |
| Released on disposal    | —                              | (17)                   | (17)         |
| <b>At 31 March 1997</b> | <b>287</b>                     | <b>84</b>              | <b>371</b>   |
| <b>Net book amount</b>  |                                |                        |              |
| <b>At 31 March 1997</b> | <b>1,279</b>                   | <b>36</b>              | <b>1,315</b> |
| At 31 March 1996        | 1,307                          | 22                     | 1,329        |

Depreciation is not provided on freehold land with a valuation of £878,000 (1996: £878,000). The company holds no assets under hire purchase or finance lease agreements.

**10 INVESTMENT IN GROUP COMPANIES**

| <b>GROUP</b>                    | Shares     | Loans      | Total      |
|---------------------------------|------------|------------|------------|
|                                 | £'000      | £'000      | £'000      |
| <b>INVESTMENT IN ASSOCIATES</b> |            |            |            |
| At 31 March 1996                | 380        | 400        | 780        |
| Foreign exchange adjustments    | (54)       | (65)       | (119)      |
| Share of profit before taxation | 42         | —          | 42         |
| Loan repayments                 | —          | (52)       | (52)       |
| Share of taxation charge        | (58)       | —          | (58)       |
| <b>At 31 March 1997</b>         | <b>310</b> | <b>283</b> | <b>593</b> |

During the current year no dividends were received from the associated undertakings (1996: £nil). At 31 March 1997 the combined capital and reserves of the associated undertakings was £401,000.

**COMPANY****INVESTMENT IN SUBSIDIARIES**

|                              |              |               |               |
|------------------------------|--------------|---------------|---------------|
| At 31 March 1996             | 9,750        | 29,945        | 39,695        |
| Foreign exchange adjustments | —            | (1,532)       | (1,532)       |
| Additions                    | 450          | 42,754        | 43,204        |
| Repayments                   | —            | (3,482)       | (3,482)       |
| Provisions                   | (2,582)      | (753)         | (3,335)       |
| <b>At 31 March 1997</b>      | <b>7,618</b> | <b>66,932</b> | <b>74,550</b> |

The cumulative amount provided against the cost of shares in subsidiaries is £5,128,000 (1996: £2,546,000). The cumulative amount provided against loans to subsidiaries is £2,722,000 (1996: £1,969,000).

## NOTES TO THE ACCOUNTS (continued)

**10 INVESTMENT IN GROUP COMPANIES (continued)**

The main subsidiary undertakings are listed below.

|   | <b>Country of<br/>Operation</b> | <b>Effective<br/>% of<br/>Issued<br/>share<br/>capital<br/>held</b> |
|---|---------------------------------|---|
| <b>Industrial Threads</b>                         |                                 |   |
| Barbour Campbell Group Limited                    | Northern Ireland                | 100%  |
| Barbour Campbell Threads Limited*                 | Northern Ireland                | 100%  |
| Barbour Campbell Industria Filati S.p.A.*         | Italy                           | 100%  |
| Longford Textiles Limited*                        | Ireland                         | 100%  |
| Barbour-Campbell Garen Nederland B.V.*            | Holland                         | 100%  |
| Barbour Campbell Threads (Proprietary) Limited*   | Australia                       | 100%  |
| Barbour Campbell Threads (Hong Kong) Limited*     | Hong Kong                       | 100%  |
| Blue Mountain Industries, Inc.*                   | U.S.A.                          | 100%  |
| Barbour Threads, Inc.*                            | U.S.A.                          | 100%  |
| Barbour Industries, Inc.*                         | U.S.A.                          | 100%  |
| Alan Paine GmbH*                                  | Germany                         | 75%   |
| B Hoogen Vertriebs GmbH*                          | Germany                         | 100%  |
| <b>Knitwear</b>                                   |                                 |   |
| Hicking Pentecost Textiles Limited                | England                         | 100%  |
| Hicking Pentecost (Dyers) Limited                 | England                         | 100%  |
| Hicking Pentecost & Co. (N.I.) Limited            | Northern Ireland                | 100%  |
| The British Textile Manufacturing Company Limited | Northern Ireland                | 100%  |
| Straven Limited*                                  | England                         | 100%  |
| Alan Paine Knitwear Limited                       | Wales                           | 75%   |
| <b>Industrial Products</b>                        |                                 |   |
| Nicholson Plastics Limited                        | Scotland                        | 100%  |
| Dewey Waters Limited                              | England                         | 100%  |
| Forgemasters PLC                                  | Wales                           | 100%  |
| Garth Estates Limited                             | Wales                           | 100%  |
| Roban Ductile Welding Limited                     | England                         | 100%  |
| <b>Associated Undertakings</b>                    |                                 |   |
| Barbour Bitrim Threads (Proprietary) Limited*     | South Africa                    | 50%   |
| Barbour Vardhman Threads Limited*                 | India                           | 50%   |

\*shareholding held by a subsidiary undertaking.

The country of incorporation is the same as the country of operation except for Barbour Campbell Threads Limited which is incorporated in Scotland and The British Textile Manufacturing Company Limited which is incorporated in England.

The effective percentage of share capital held by the group relates to all classes of shares and is equivalent to the voting rights.

To avoid a list of excessive length, particulars of certain subsidiaries, none of which is material in relation to the group profit and loss account and balance sheet, are omitted but will be included in the 1997 Annual Return.



## NOTES TO THE ACCOUNTS (continued)

**11 ACQUISITIONS**

During the year the group acquired two businesses in its Industrial Threads division. On 1 November 1996 the group acquired the business and assets of B. Hoogen & Co. GmbH ("Hoogen") from its liquidator for a cash consideration of £444,000.

On 26 March 1997 the group acquired the business and assets of the thread division of Belding Heminway Company, Inc. ("Belding Thread") for an initial consideration of \$55 million (£33.8 million) plus acquisition costs.

| <b>Fair value of net assets</b>      | <b>Book Value<br/>Belding<br/>Thread<br/>£'000</b> | <b>Book Value<br/>Hoogen<br/>£'000</b> | <b>Fair Value<br/>Adjustments<br/>£'000</b> | <b>Fair Value<br/>£'000</b> |
|--------------------------------------|--|--|---|-----------------------------|
| Fixed assets                         | 19,028   | 164                                    | (1,617)                                     | 17,575                      |
| Stock                                | 9,345  | 260                                    | (301)                                       | 9,304                       |
| Debtors                              | 5,762  | —                                      | (132)                                       | 5,630                       |
| Cash in hand                         | 8  | 20                                     | —   | 28                          |
| Creditors                            | (3,784)  | —                                      | (210)                                       | (3,994)                     |
| Borrowings                           | (917)  | —                                      | —   | (917)                       |
| Net assets acquired                  | <u>29,442</u>                                      | <u>444</u>                             | <u>(2,260)</u>                              | <u>27,626</u>               |
| <b>Fair value of consideration</b>   |  |  |   |                             |
| Cash consideration                   |  |  |   | 34,206                      |
| Expenses                             |  |  |   | 999                         |
|                                      |  |  |   | <u>35,205</u>               |
| Goodwill on acquisitions in the year |  |  |   | <u>7,579</u>                |

The exchange rates applied at the date of acquisition were \$1.627 = £1 and DM2.46 = £1.

Fair value adjustments comprise the revaluation of fixed assets and the application of group accounting policies to stock, debtors and creditors.

In the period 1 January 1996 to 31 October 1996 Hoogen made an unaudited pre-tax loss of DM97,000 and in the year ended 31 December 1995 made an unaudited pre-tax loss of DM111,000.

In the period 1 January 1997 to 26 March 1997 Belding Thread made an unaudited pre-tax profit of \$0.7m on turnover of \$16.1m and in the year ended 31 December 1996 made an unaudited pre-tax profit of \$4.8m on turnover of \$66.7m.



## NOTES TO THE ACCOUNTS (continued)

**11 ACQUISITIONS** (continued)

The net outflow of cash and cash equivalents in respect of the purchase of businesses comprises:

|   | 1997<br>£'000 | 1996<br>£'000 |
|---|---------------|---------------|
| Cash consideration (including expenses)               | 35,205        | 14,585        |
| Cash acquired   | (28)          | (4)           |
| Additional cash consideration on previous acquisition | 92            | —             |
|   | <u>35,269</u> | <u>14,581</u> |

The businesses acquired during the year generated £53,000 of the group's net operating cashflow and utilised £14,000 acquiring fixed assets.

**12 STOCK**

|                  | Group         |               |
|------------------|---------------|---------------|
|                  | 1997<br>£'000 | 1996<br>£'000 |
| Raw materials    | 5,078         | 3,528         |
| Work in progress | 10,552        | 6,092         |
| Finished stock   | 17,472        | 12,238        |
|                  | <u>33,102</u> | <u>21,858</u> |

**13 DEBTORS**

|                                 | Group         |               | Company       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 1997<br>£'000 | 1996<br>£'000 | 1997<br>£'000 | 1996<br>£'000 |
| <b>Due within one year</b>      |               |               |               |               |
| Trade debtors                   | 23,563        | 18,635        | —             | —             |
| Other debtors                   | 450           | 286           | 84            | 80            |
| Advance corporation tax         | 1,182         | —             | 405           | 146           |
| Due from associated undertaking | 61            | 68            | —             | —             |
| Due from group companies        | —             | —             | 2,182         | 151           |
| Prepayments and accrued income  | 1,000         | 949           | —             | —             |
|                                 | <u>26,256</u> | <u>19,938</u> | <u>2,671</u>  | <u>377</u>    |
| <b>Due after one year</b>       |               |               |               |               |
| Pension fund prepayment         | 1,268         | 971           | —             | —             |

## NOTES TO THE ACCOUNTS (continued)

| <b>14 CREDITORS: amounts falling due within one year</b>   |               |               |                |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>Group</b>  |               | <b>Company</b> |               |
|  | <b>1997</b>   | <b>1996</b>   | <b>1997</b>    | <b>1996</b>   |
|  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>  |
| Bank overdraft   | 555           | 550           | —              | —             |
| Bank and other loans (note 15)   | 2,362         | 3,620         | 1,645          | 1,496         |
| Loan notes   | 606           | 44            | 44             | 44            |
| Finance leases and hire purchase   | 22            | 37            | —              | —             |
| <b>Borrowings</b>  | <b>3,545</b>  | <b>4,251</b>  | <b>1,689</b>   | <b>1,540</b>  |
| Trade creditors  | 9,749         | 8,442         | 224            | 253           |
| Due to group companies   | —             | —             | 41             | 10            |
| Corporation tax  | 2,789         | 1,617         | 364            | 192           |
| Other taxation and social security   | 1,364         | 1,485         | 34             | 23            |
| Proposed dividend  | 1,586         | 1,045         | 1,586          | 1,045         |
| Other creditors  | 1,933         | 840           | 4              | 5             |
| Accruals and deferred income   | 7,059         | 5,394         | 853            | 477           |
| <b>Other</b>   | <b>24,480</b> | <b>18,823</b> | <b>3,106</b>   | <b>2,005</b>  |
|  | <b>28,025</b> | <b>23,074</b> | <b>4,795</b>   | <b>3,545</b>  |
| <b>15 CREDITORS: amounts falling due after more than one year</b>  |               |               |                |               |
|  | <b>Group</b>  |               | <b>Company</b> |               |
|  | <b>1997</b>   | <b>1996</b>   | <b>1997</b>    | <b>1996</b>   |
|  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>  |
| Bank and other loans   | 32,978        | 20,854        | 32,628         | 17,668        |
| Loan notes   | 525           | 262           | 217            | 262           |
| Finance leases and hire purchase   | 26            | 29            | —              | —             |
| <b>Borrowings</b>  | <b>33,529</b> | <b>21,145</b> | <b>32,845</b>  | <b>17,930</b> |
| Due to group companies   | —             | —             | 4,965          | 5,245         |
| Accruals and deferred income   | 2,314         | 1,583         | —              | —             |
| <b>Other</b>   | <b>2,314</b>  | <b>1,583</b>  | <b>4,965</b>   | <b>5,245</b>  |
|  | <b>35,843</b> | <b>22,728</b> | <b>37,810</b>  | <b>23,175</b> |
| Borrowings, some of which are repayable in instalments, others by a single repayment at the end of their term, comprise: |               |               |                |               |
| Due between 1 and 2 years  | 5,601         | 3,672         | 5,248          | 2,530         |
| Due between 2 and 5 years  | 21,330        | 12,848        | 21,043         | 11,171        |
| Due beyond 5 years   | 6,598         | 4,625         | 6,554          | 4,229         |
|  | <b>33,529</b> | <b>21,145</b> | <b>32,845</b>  | <b>17,930</b> |
| There is no amount due beyond 5 years which is repayable otherwise than by instalments.                                  |               |               |                |               |

## NOTES TO THE ACCOUNTS (continued)

**15 CREDITORS:** amounts falling due after more than one year (continued)**BANK FACILITIES**

Bank facilities are secured by fixed and floating charges on the group's assets and by legal mortgages on certain of the group's properties. The group has a 5 year sterling loan for £3.7m with interest fixed at 7.78%. The loan is repayable in full by November 1999.

The group also has a number of loans denominated in US dollars, which taken together amount to £31.5m at year end sterling conversion rates. Repayment is by a combination of instalments and single payments, with individual loans repayable in full between June 1998 and June 2007. Interest on currency loans amounting to £18.2m is fixed at rates between 6.85% and 7.15% and interest on currency loans amounting to £12.4m is linked to LIBOR. Currency loans amounting to £0.9m are interest free.

**BORROWING POWERS**

The borrowing powers of the directors are limited to twice the group's Adjusted Capital and Reserves, as defined in the Articles of Association. At 31 March 1997 the limit was £82 million (1996: £49 million).

**16 DEFERRED TAXATION**

The movement on the deferred taxation provision is as follows:

|                              | Group      | Company   |
|------------------------------|------------|-----------|
|                              | £'000      | £'000     |
| At 31 March 1996             | 421        | 90        |
| Currency adjustment          | (1)        | —         |
| Charge/(credit) for the year | 332        | (18)      |
| <b>At 31 March 1997</b>      | <b>752</b> | <b>72</b> |

The deferred taxation provision comprises:

| GROUP                             | Amounts provided |            | Total potential liability |            |
|-----------------------------------|------------------|------------|---------------------------|------------|
|                                   | 1997             | 1996       | 1997                      | 1996       |
|                                   | £'000            | £'000      | £'000                     | £'000      |
| Accelerated capital allowances    | 424              | 415        | 466                       | 457        |
| Timing difference on pension fund | 418              | 315        | 418                       | 315        |
| Short term timing differences     | (90)             | (309)      | (90)                      | (309)      |
|                                   | <b>752</b>       | <b>421</b> | <b>794</b>                | <b>463</b> |



## NOTES TO THE ACCOUNTS (continued)

**16 DEFERRED TAXATION** (continued)

| COMPANY                        | Amount provided and total potential liability |           |
|--------------------------------|---|-----------|
|                                | 1997  | 1996      |
|                                | £'000   | £'000     |
| Accelerated capital allowances | 90  | 93        |
| Short term timing differences  | (18)  | (3)       |
|                                | <u>72</u>                                     | <u>90</u> |

Properties are not held for the purpose of resale. The potential deferred tax effect of disposal at their revalued amounts has not been recognised.

**17 CALLED UP SHARE CAPITAL**

|                             | Authorised    |               | Allotted and fully paid |               |
|-----------------------------|---------------|---------------|-------------------------|---------------|
|                             | 1997          | 1996          | 1997                    | 1996          |
|                             | £'000         | £'000         | £'000                   | £'000         |
| Ordinary shares of 50p each | <u>20,000</u> | <u>15,000</u> | <u>15,861</u>           | <u>11,861</u> |

On 7 January 1997 the authorised share capital of the company was increased to 40,000,000 shares of 50p each.

On 27 March 1997 7,924,199 loan stock units were converted into fully paid ordinary shares of 50p each on a one for one basis.

Options were exercised over 75,000 shares at prices ranging between 70p and 232p during the year. At 31 March 1997 options outstanding under the Senior Executive Share Option Scheme were as follows:

| Year of Grant | Latest date for exercise | Option Price | No. of Shares  |
|---------------|--------------------------|--------------|----------------|
| 1992          | 14 July 2002             | 142p         | 30,000         |
| 1993          | 19 July 2003             | 186p         | 34,000         |
| 1994          | 1 August 2004            | 232p         | 251,000        |
|               |                          |              | <u>315,000</u> |

Options granted in 1992 and 1993 are currently exercisable. Options granted in 1994 may be exercised on or after 1 August 1997.

All shares in issue are ordinary shares and rank equally for dividends and for distribution on a winding up.

The company has authority to purchase up to 10% of its own shares. This authority expires at the annual general meeting to be held on 25 July 1997. A resolution is being proposed to renew the authority at that meeting.

|                                  |                     |
|----------------------------------|---------------------|
| <b>SHARE PREMIUM ACCOUNT</b>     | £'000               |
| At 31 March 1996                 | 8,314               |
| Premium on shares issued in year | 55                  |
| <b>At 31 March 1997</b>          | <u><b>8,369</b></u> |

## NOTES TO THE ACCOUNTS (continued)

**18 RESERVES**

| <b>GROUP</b>   | Revaluation<br>Reserve | Capital<br>Reserve | Profit<br>and Loss<br>Account |
|--|------------------------|--------------------|-------------------------------|
|  | £'000                  | £'000              | £'000                         |
| At 31 March 1996                                     | 540                    | —                  | 3,710                         |
| Profit for the year                                  | —                      | —                  | 1,884                         |
| Amortisation of revaluation reserve                  | (18)                   | —                  | 18                            |
| Net premium on issue of convertible loan stock units | —                      | 19,029             | —                             |
| Goodwill on acquisitions (note 11)                   | —                      | (7,579)            | —                             |
| Goodwill adjustment                                  | —                      | —                  | (92)                          |
| Foreign exchange adjustments                         | —                      | —                  | (841)                         |
| <b>At 31 March 1997</b>                              | <b>522</b>             | <b>11,450</b>      | <b>4,679</b>                  |

| <b>COMPANY</b>   | Capital<br>Reserve | Profit<br>and Loss<br>Account |
|--|--------------------|-------------------------------|
|  | £'000              | £'000                         |
| At 31 March 1996                                       | —                  | 2,281                         |
| Loss for the year                                      | —                  | (1,324)                       |
| Gross premium on issue of convertible loan stock units | 19,810             | —                             |
| Transfer of issue costs                                | (781)              | 781                           |
| <b>At 31 March 1997</b>                                | <b>19,029</b>      | <b>1,738</b>                  |

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 £833,000 (1996: £2,138,000).

On 14 January 1997 the company issued 7,924,199 50p nominal non-interest bearing convertible unsecured loan stock units at 300p per unit to part finance the acquisition of Belding Thread.

The goodwill adjustment of £92,000 arises following the final assessment of the fair value of the consideration arising from the acquisition of Blue Mountain Industries in the year ended 31 March 1996.

The cumulative amount of goodwill written off in respect of acquisitions at 31 March 1997 was £19,190,000 (1996: £11,519,000).

## NOTES TO THE ACCOUNTS (continued)

**19 COMMITMENTS**

|                                 | <b>Group</b> |              | <b>Company</b> |              |
|---------------------------------|--------------|--------------|----------------|--------------|
|                                 | <b>1997</b>  | <b>1996</b>  | <b>1997</b>    | <b>1996</b>  |
| <b>Capital commitments</b>      | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| Contracted for but not provided | 207          | 350          | —              | —            |

**Commitments under operating leases**

The group has the following annual commitments payable under non-cancellable operating leases:

|                         | <b>Land and Buildings</b> |              | <b>Plant and Equipment</b> |              |
|-------------------------|---------------------------|--------------|----------------------------|--------------|
|                         | <b>1997</b>               | <b>1996</b>  | <b>1997</b>                | <b>1996</b>  |
| <b>Leases expiring:</b> | <b>£'000</b>              | <b>£'000</b> | <b>£'000</b>               | <b>£'000</b> |
| Within 1 year           | 227                       | 64           | 98                         | 157          |
| Between 1 & 5 years     | 277                       | 220          | 157                        | 276          |
| In over 5 years         | 280                       | 279          | 7                          | —            |
|                         | <u>784</u>                | <u>563</u>   | <u>262</u>                 | <u>433</u>   |

**20 PENSIONS**

The Hicking Pentecost Pension Scheme forms the principal defined benefit arrangement in the group. The assets of the scheme are held separately from those of the group in a trustee administered fund. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

The most recent actuarial valuation of the Hicking Pentecost Pension Scheme was prepared at 6 April 1994. It showed that the market value of the scheme's assets was £7.9 million and that the actuarial value of those assets represented 114% of the benefits that had accrued to members after allowing for expected future increases in earnings. An actuarial valuation as at 6 April 1997 will be available in the latter part of this year.

The principal actuarial assumptions used were:

|                       | <b>Per Annum</b> |
|-----------------------|------------------|
| Return on investments | 9%               |
| Dividend growth       | 5%               |
| Earnings increases    | 7%               |
| Pensions increases    | 4%               |

SSAP 24 requires the fund to be valued on a reasonable best estimate basis rather than using the overall more prudent assumptions used by the trustees in funding the scheme. In accounting for pension costs the only difference in assumptions is that earnings will increase by 6.5% per annum.



NOTES TO THE ACCOUNTS *(continued)***20 PENSIONS** *(continued)*

Pension costs for the year in respect of the scheme were:

|                                 | 1997<br>£'000 | 1996<br>£'000 |
|---------------------------------|---------------|---------------|
| Regular cost                    | 542           | 506           |
| Spreading of additional surplus | (38)          | (34)          |
| Interest on prepayment          | (88)          | (72)          |
|                                 | <u>416</u>    | <u>400</u>    |

The cost of other defined benefit arrangements was £190,000 (1996: £135,000). Additionally the group made payments to defined contribution schemes amounting to £377,000 (1996: £203,000).

**21 RELATED PARTY TRANSACTIONS****Subsidiary Undertaking**

The group has contracted on an arms length basis with Alan Paine Knitwear Limited (a 75% owned subsidiary) which paid £36,000 in respect of rent on factory premises.

**Associated Undertakings**

The group has contracted on an arms length basis with associated undertakings. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the accounts are £221,000 in respect of the sale of goods to, £139,000 in respect of the purchase of goods from, and £15,000 in respect of the rendering of services to, associated undertakings.

**22 CONTINGENT LIABILITIES**

The group has a contingent liability of £275,000 at 31 March 1997 (1996: £329,000) in respect of guarantees given to support borrowings of an associated undertaking, Barbour Bitrim Threads (Proprietary) Limited.

The company has a contingent liability of £722,000 at 31 March 1997 (1996: £3,971,000) in respect of guarantees given to support borrowings of certain subsidiary undertakings.

## DIRECTORS' STATEMENTS ON CORPORATE GOVERNANCE MATTERS

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### **STATEMENT OF COMPLIANCE WITH THE CADBURY CODE OF BEST PRACTICE**

The company has an audit committee comprising the entire board of directors. This committee therefore does not include three non-executive directors. With this sole exception the company complied fully during the year with the provisions of the Cadbury Committee's Code of Practice.

### **INTERNAL FINANCIAL CONTROL**

The directors are responsible for the group's system of internal financial control, and the audit committee has reviewed the operation and effectiveness of the group's internal control system during 1997.

The internal control system can provide reasonable but not absolute assurance against material misstatement or loss. The audit committee obtains reports from the external auditors on any significant areas of concern identified.

The group's internal financial controls include:

#### **Financial Reporting**

All business units report weekly on key areas of their business such as sales and order intake. All units report promptly after the month end their sales and expected operating profit for that month.

Accounts for the individual business units and the group are prepared monthly, comparing actual performance with budget and prior years. Detailed reviews of financial performance are prepared quarterly by each business unit.

Forecasts for the year are updated on a regular basis.

#### **Financial Control Procedures**

Financial control procedures are established for each business unit. They are intended to ensure the consistent application of the group's accounting policies and the reliability of the unit's financial information. Business units complete self-certification reports confirming compliance with their respective financial control procedures. Prompt corrective action is required to address any significant shortfalls in financial control.

#### **Treasury**

Treasury transactions are conducted solely to hedge foreign exchange and interest rate exposures. Such transactions are conducted by authorised individuals with relevant experience and in accordance with predetermined authority limits.

#### **Audit**

The approach to the audit of the group accounts is devised by the external auditors in consultation with the audit committee. It is based on an assessment of the financial control risks in each business unit and their materiality in terms of the group as a whole.

#### **Investment**

All investments require the approval of two directors and investments in excess of £100,000 require board approval.

### **GOING CONCERN**

The directors believe it is entirely valid to consider the group and the company as a going concern based on internal forecasts and available borrowing facilities. They have thus adopted the going concern basis in the preparation of these accounts.



## REMUNERATION COMMITTEE REPORT

### The Remuneration Committee

The Remuneration Committee consists of the Chairman and Chief Executive, and subject only to this, the company is in compliance with Section A of the best practice provisions annexed to the Stock Exchange listing rules. The terms of reference of the committee are to determine the overall remuneration of executive directors. The Chief Executive's remuneration is set by the Chairman, and the Chairman's remuneration by the board as a whole.

### Remuneration Policy

The policy of the Remuneration Committee on executive directors' remuneration is to ensure that they are fairly rewarded for their individual contribution to the group's overall performance, having due regard to the interests of shareholders and to the scale and financial progress of the group. The Remuneration Committee designs remuneration packages which will attract and retain individuals of the requisite level of skill and experience. Remuneration packages will normally include a competitive basic salary, appropriate benefits in kind, options and a bonus scheme. In framing its remuneration policy, the Remuneration Committee has given full consideration to Section B of the best practice provisions annexed to the Stock Exchange listing rules. For the year to 31 March 1998, there is in place a bonus scheme for the executive directors linked to growth in fully taxed pre-exceptional earnings per share and capped at two-thirds of basic salary.

### Directors' Remuneration

Details of directors' emoluments for 1997 and 1996 are set out below:

| Director      | Basic salary | Benefits in kind | Performance related pay | Total 1997 | Total 1996 | Pensions 1997 | Pensions 1996 |
|---------------|--------------|------------------|-------------------------|------------|------------|---------------|---------------|
|               | £'000        | £'000            | £'000                   | £'000      | £'000      | £'000         | £'000         |
| H M Grossart  | 28           | —                | —                       | 28         | 24         | —             | —             |
| T G Davies    | 121          | 11               | 31                      | 163        | 186        | 30            | 35            |
| C M Jones     | 91           | 7                | 22                      | 120        | 132        | 23            | 25            |
| S C M Little  | 76           | 10               | 18                      | 104        | 109        | 19            | 21            |
| J E M Carlsen | —            | —                | —                       | —          | 42         | —             | —             |
|               | <u>316</u>   | <u>28</u>        | <u>71</u>               | <u>415</u> | <u>493</u> | <u>72</u>     | <u>81</u>     |

Benefits in kind principally relate to the provision of a company car and private medical cover. Bonuses for the year to 31 March 1997 were linked to growth in earnings per share over the previous year. Pension contributions are based on remuneration excluding benefits in kind.

Total remuneration is made up of the following elements:

|   | 1997  | 1996  |
|---|-------|-------|
|   | £'000 | £'000 |
| Aggregate emoluments                                    | 415   | 493   |
| Gains made on exercise of share options                 | 54    | 443   |
| Company pension contributions to money purchase schemes | 72    | 81    |

REMUNERATION COMMITTEE REPORT *(continued)*

Retirement benefits are accruing to three directors under separate money purchase pension schemes. The fourth director does not receive any pension contributions.

The highest paid director received a total of £174,000 comprising emoluments of £120,000 and gains made on exercise of share options amounting to £54,000.

**Share Options**

No share options were granted to the executive directors during the year. Details of share options held by the executive directors are set out below:

| Director     | Number of Options |           |               | Exercise price | Market price at date of exercise  | Date first exercisable | Expiry date |
|--------------|-------------------|-----------|---------------|----------------|-----------------------------------|------------------------|-------------|
|              | as at 1.4.96      | Exercised | as at 31.3.97 |                |                                   |                        |             |
| T G Davies   | 98,000            | —         | 98,000        | 232p           | —                                 | 1.8.97                 | 1.8.04      |
| C M Jones    | 25,000            | (25,000)  | —             | 142p           | 357 <sup>1</sup> / <sub>2</sub> p | 14.7.95                | 14.7.02     |
|              | 102,000           | —         | 102,000       | 232p           | —                                 | 1.8.97                 | 1.8.04      |
| S C M Little | 10,000            | —         | 10,000        | 142p           | —                                 | 14.7.95                | 14.7.02     |
|              | 7,000             | —         | 7,000         | 186p           | —                                 | 19.7.96                | 19.7.03     |

The market price of Hicking Pentecost PLC ordinary shares at 31 March 1997 was 356<sup>1</sup>/<sub>2</sub>p (31 March 1996: 336p) and the range during the year was 305<sup>1</sup>/<sub>2</sub>p to 372p.

**Service Contracts**

The service contracts of the executive directors have an unexpired period of two years. In the event of dismissal within one year after a general offer for the company's shares becoming unconditional in all respects, the applicable notice period is three years. The Remuneration Committee believes that the current form of contract is appropriate in order to retain and recruit directors of an appropriate calibre.

Mr H M Grossart has no service contract with the company. His services are provided by Petronius Limited, a company wholly-owned by him and his family interests. All remuneration in respect of Mr H M Grossart was paid directly to Petronius Limited.

**H M Grossart**

Chairman of the Remuneration Committee.

## AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

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### REPORT BY THE AUDITORS TO THE DIRECTORS OF HICKING PENTECOST PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts we have reviewed your statements on page 32 concerning the group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

### BASIS OF OPINION

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance 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 control or corporate governance procedures, nor on the ability of the company and the group to continue in operational existence.

### OPINION

In our opinion, your statements on internal financial control and going concern on page 32 have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain directors and officers of the company, and examination of relevant documents, your statement on page 32 appropriately reflects the group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

**Price Waterhouse**  
Chartered Accountants

Nottingham  
10 June 1997

*Price Waterhouse*

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## DIRECTORS' RESPONSIBILITIES AND AUDITORS' REPORT

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### DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit of the group for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### AUDITORS' REPORT TO THE SHAREHOLDERS OF HICKING PENTECOST PLC

We have audited the accounts on pages 11 to 31, including the more detailed information set out in the Report of the Remuneration Committee on pages 33 and 34 referred to in note 4 to the accounts, which have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and the accounting policies set out on pages 16 and 17.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 March 1997 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Price Waterhouse**  
Chartered Accountants  
and Registered Auditors

*Price Waterhouse*

Nottingham  
10 June 1997

## FINANCIAL SUMMARY

|   | 1991   | 1992    | 1993   | 1994   | 1995   | 1996   | 1997   |
|---|--------|---------|--------|--------|--------|--------|--------|
|   | £'000  | £'000   | £'000  | £000   | £'000  | £'000  | £'000  |
| <b>Turnover</b>                           | 21,079 | 24,598  | 29,506 | 35,438 | 70,728 | 85,918 | 98,489 |
| <b>Operating profit</b>                   | 1,589  | 2,389   | 2,963  | 3,527  | 5,462* | 7,318  | 8,550* |
| <b>Operating margin</b>                   | 7.5%   | 9.7%    | 10.0%  | 10.0%  | 7.7%*  | 8.5%   | 8.7%*  |
| <b>Earnings per share</b>                 | 7.6p   | 10.9p   | 12.7p  | 15.0p  | 17.2p* | 20.3p  | 23.2p* |
| <b>Earnings growth</b>                    |        | 44%     | 17%    | 18%    | 15%    | 18%    | 14%    |
| <b>Dividends per share</b>                | 2.25p  | 3.4p    | 4.0p   | 4.6p   | 5.5p   | 6.5p   | 7.4p   |
| <b>Dividend growth</b>                    |        | 51%     | 18%    | 15%    | 20%    | 18%    | 14%    |
| <b>Capital employed</b>                   |        |         |        |        |        |        |        |
| Capital and reserves                      | 6,380  | 10,906  | 11,913 | 13,651 | 25,166 | 24,475 | 40,931 |
| Net debt/(cash)                           | 3,929  | (1,579) | 6      | 401    | 6,997  | 16,680 | 28,380 |
|   | 10,309 | 9,327   | 11,919 | 14,052 | 32,163 | 41,155 | 69,311 |
| <b>Interest cover</b>                     | 2.2    | 10.9    | 26.9   | 42.0   | 12.3*  | 8.0    | 5.9*   |
| <b>Return on average capital employed</b> | 17.3%  | 24.3%   | 27.9%  | 27.2%  | 23.6%* | 20.0%  | 15.5%* |
| <b>Capital expenditure</b>                | 599    | 707     | 1,487  | 1,320  | 2,073  | 1,996  | 2,609  |
| <b>Depreciation</b>                       | 493    | 760     | 834    | 845    | 1,658  | 2,063  | 2,118  |

\* before exceptional costs

## SHAREHOLDER INFORMATION

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### Financial Calendar

|  |          |
|--|----------|
| Half year results announced                | December |
| Full year results preliminary announcement | June     |
| Annual general meeting                     | July     |
| Payment of interim dividend                | January  |
| Payment of final dividend (if approved)    | July     |

### Shareholder Enquiries

Shareholders who have questions relating to the group's business should contact the company at  
19 Stanwell Road, Penarth, Vale of Glamorgan CF64 2EZ.

Telephone: 01222 711333

Facsimile: 01222 711666

### Registrar

Administrative enquiries concerning shareholdings in Hicking Pentecost PLC such as the loss of a share certificate, dividend payments, or a change of address should be directed, in the first instance, to the registrar whose address is:

Exchange Registrars Limited  
18 Park Place  
Cardiff CF1 3PD  
Telephone: 01222 371210  
Facsimile: 01222 388455

|                                    |  |
|------------------------------------|--|
| <b>Auditors</b>                    | Price Waterhouse   |
| <b>Solicitors</b>                  | Edwards Geldard  |
| <b>Stockbrokers</b>                | Credit Lyonnais Laing<br>Bell Lawrie White & Co.             |
| <b>Bankers</b>                     | Barclays Bank PLC<br>Northern Bank Limited                   |
| <b>Actuaries</b>                   | William M Mercer Limited                                     |
| <b>Company Registration Number</b> | 406925   |
| <b>Registered Office</b>           | 19 Stanwell Road<br>Penarth<br>Vale of Glamorgan<br>CF64 2EZ |

## NOTICE OF MEETING

**Notice is hereby given** that the fifty-first Annual General Meeting of Hicking Pentecost PLC will be held at 12 noon on Friday 25 July 1997, at the offices of Hicking Pentecost PLC, 19 Stanwell Road, Penarth, Vale of Glamorgan CF64 2EZ 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 31 March 1997 and the auditors' report thereon.
- 2 to declare a final dividend.
- 3 to re-elect as a director Mr S C M Little who retires by rotation.
- 4 to re-appoint the auditors and authorise the directors to fix their remuneration.

**SPECIAL BUSINESS** as resolutions of the type indicated by the heading attributable to each

To consider and, if thought fit, pass the following resolutions:

#### Ordinary Resolution

- 5 That the authority of the directors to allot relevant securities conferred by article 5.2(a) of the company's Articles of Association shall be renewed for the period ending on the date of the Annual General Meeting in 1998 or on the 24 October 1998, whichever is the earlier, in respect of relevant securities up to an aggregate nominal amount of £4,139,102.

#### Special Resolution

- 6 That the power of the directors to allot equity securities conferred by article 5.2(b) of the company's Articles of Association shall be renewed for the period ending on the date of the Annual General Meeting in 1998 or on the 24 October 1998, whichever is the earlier, and the maximum aggregate nominal amount of equity securities which may be so allotted otherwise than in connection with a Rights Issue (as defined in the Articles of Association) shall be £793,045.

#### Special Resolution

- 7 That, in accordance with section 166 of the Companies Act 1985, the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in section 163(3) of the Companies Act 1985) of up to an aggregate of 3,172,180 Ordinary Shares of 50p each in the capital of the Company at a price per share of not less than 50p and not more than 5 per cent above the average of the middle market quotations for an Ordinary Share in the capital of the Company as derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the date of such purchase, provided that the authority conferred by this resolution shall, unless previously varied, revoked or renewed, expire at the conclusion of the annual general meeting of the Company to be held in 1998, save that the Company may make a purchase of shares under such authority at any later date where such purchase is made pursuant to any contract made by the Company before the expiry of such authority.

By order of the board

C M Jones  
Secretary

10 June 1997

19 Stanwell Road, Penarth  
Vale of Glamorgan CF64 2EZ

#### Notes:

A member of the company is entitled to appoint a proxy or proxies to attend and vote in his stead and the proxy need not be a member of the company. A form of proxy is enclosed. 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 1YU, not later than 48 hours before the annual general meeting. Completion of the form of proxy will not preclude a member from attending and voting in person.

To be entitled to attend and vote at the meeting (and for the purpose of the determination by the company of the number of votes they may cast), members must be entered on the company's register of members at 12 noon on Wednesday 23 July 1997. If the meeting is adjourned then, to be so entitled, members must be entered on the company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, at the time specified in that notice.





19 Stanwell Road

Penarth

CF64 2EZ

**Tel: 01222 711333**

**Fax: 01222 711666**