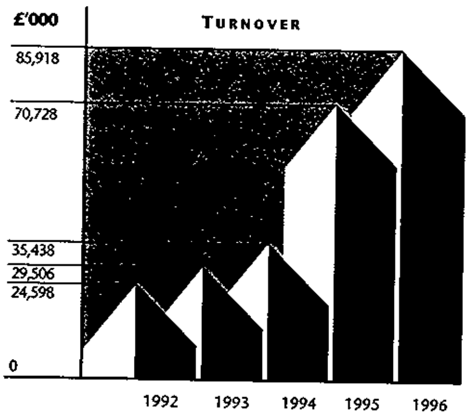
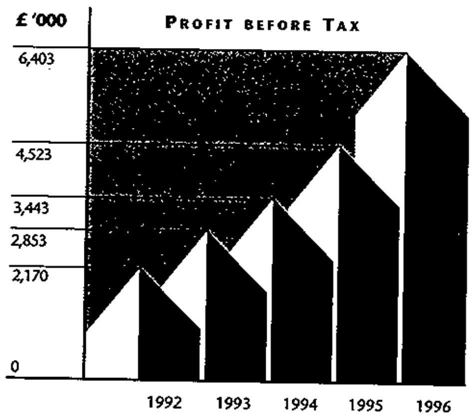
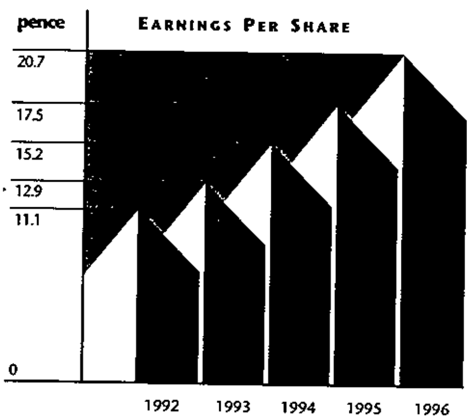
Financial Highlights

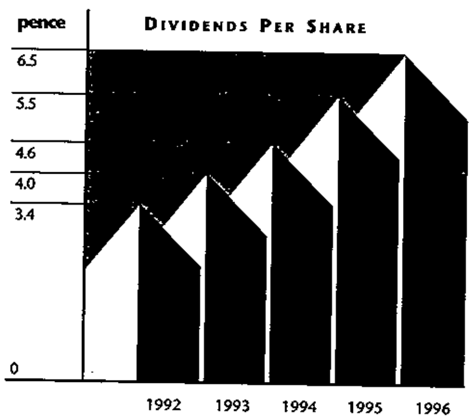
Turnover	**£85.9 million**	up 31%
Profit before tax	**£6.4 million**	up 42%
Earnings per share	**20.7p**	up 18%
Dividends per share	**6.5p**	up 18%

Five_Year Record









Group Profile

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 21% per annum compound over the past six years.

We have achieved this growth by improving operating performance, organic growth, and through selective acquisitions.

Hicking Pentecost now encompasses specialist industrial thread, knitwear and industrial products.

Directors' Biographies

Tudor Davies
Chief Executive

Aged 44, 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 36, 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 45, 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 39, joined the board in 1991 and was appointed non-executive Chairman in 1994. He is Chairman of EFT Group PLC, Eclipse Blinds PLC and a director of several other listed companies.

CHAIRMAN'S STATEMENT

On behalf of the board, I am delighted to report another year of excellent progress for Hicking Pentecost. During the year we completed a substantial acquisition to become the leading worldwide manufacturer of specialist threads for non-clothing applications.

In previous years we have set out our key objective of improving value for shareholders through increases in earnings and dividends, and the group continues to be managed and developed with this in mind. Earnings per share rose 36 per cent to 20.7 pence, some 18 per cent higher than last year's underlying level, and we are recommending a dividend increase for the sixth successive year.

RESULTS

Turnover from continuing activities increased in all divisions, and the total rose 31 per cent to £85.9 million. Operating profits from continuing activities rose by 42 per cent to £7.4 million, and margins reached 8.6 per cent, usefully ahead of last year's level of 7.9 per cent. As predicted at the time of the group's most recent acquisition, the interest charge increased, but despite this profit before taxation rose by a creditable 42 per cent to £6.4 million.

FINANCIAL POSITION

We took the decision during the year to finance a £14.6 million acquisition without raising further equity capital, as we considered firstly that the returns to shareholders could be best enhanced in the short term by increasing debt, and secondly, that rapid reductions in balance sheet gearing could be achieved thereafter from operating cash flow.

As a result, net indebtedness rose during the year from £7 million to £16.7 million, representing a year end balance sheet gearing ratio of 68 per cent.

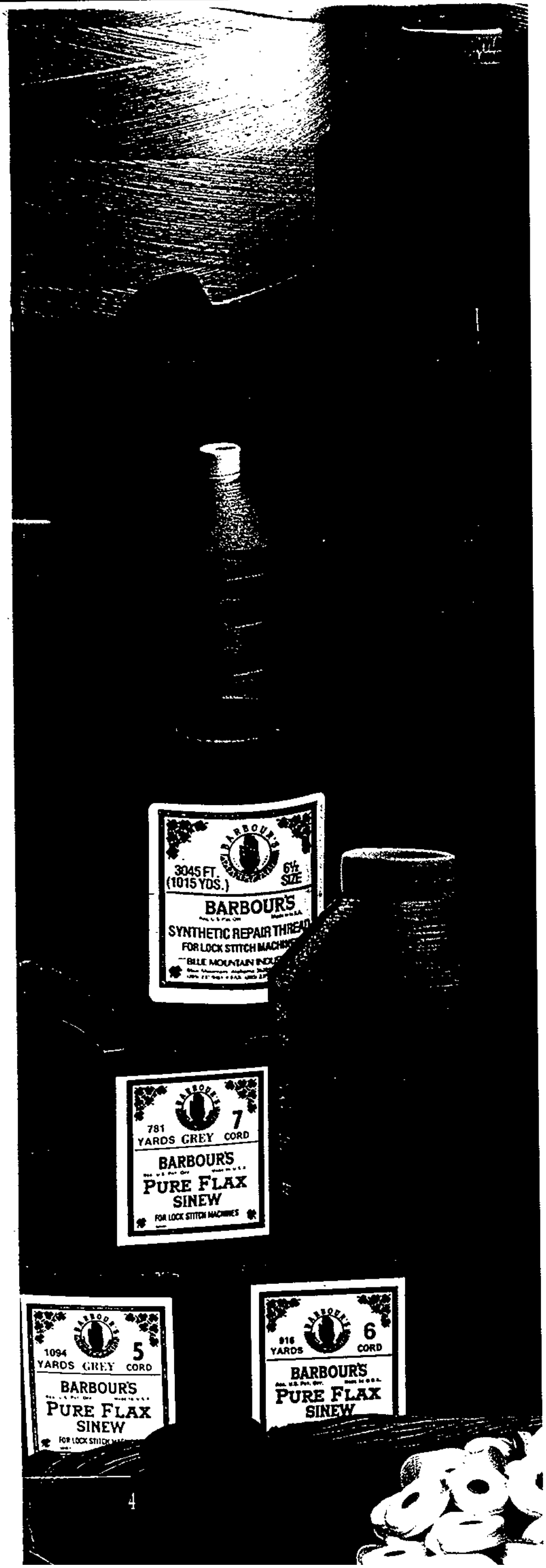
DIVIDENDS

In view of the excellent performance achieved during the year, and the underlying strength of the group's businesses, the board again believes it appropriate to increase dividends to shareholders. Accordingly, we are recommending a final dividend of 4.4 pence (net) per share which, when taken with the interim dividend already paid, makes a total for the year of 6.5 pence (net) and an increase of 18 per cent over last year. This increased dividend is covered 3.2 times by earnings, giving an excellent position from which to continue a progressive dividend policy.

OUTLOOK

We will continue to focus on the development of profit and on improving the quality and consistency of group earnings through a combination of organic growth, capital investment and carefully chosen acquisitions. As this has been the case for the past six years, we expect the application of these policies to produce improvements for shareholders, and we therefore view the prospects for the current year with confidence.

Hamish Grossart
Chairman



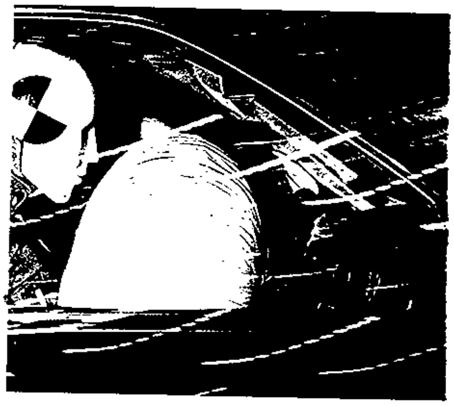
Chief Executive's Review

During the year, we continued the successful integration of Barbour Campbell Group and acquired Blue Mountain Industries, a leading U.S. industrial thread business with the U.S. rights to the Barbour name.

Our thread division is now the leading worldwide manufacturer of specialist non-clothing thread.

We achieved sales increases in all of our divisions and improved group operating margins. In knitwear, operating margins remained above 10 per cent, ahead of much of the industry, and in industrial threads, operating margins moved ahead strongly to 8.8 per cent (including Blue Mountain) from 6.8 per cent the previous year. In our smallest division, industrial products, operating margins were maintained at 5.3 per cent.

We created a wider geographic spread of sales and are now represented in all the key regions of the world. The success of the past six years has given us the platform from which to continue to develop the group in future years. In doing so we will place the enhancement of shareholder value at the forefront of our priorities.



Industrial Threads

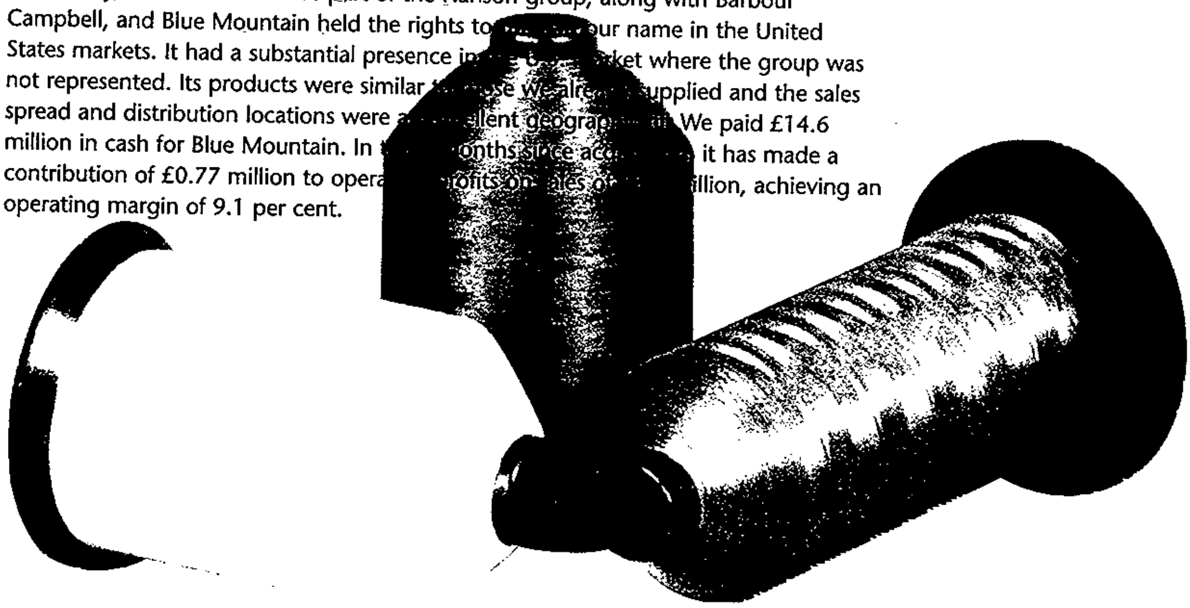
The business we have created in Industrial Threads is now the leading industrial heavy thread business worldwide, with manufacturing facilities in the United Kingdom, Eire, Italy, USA, South Africa, India and the Far East. These facilities, together with selling and distribution locations in 30 countries worldwide, enable us to service global customers.

Our customers, which manufacture footwear, sports equipment, car seats, safety belts and airbags, require high-quality components to exacting specifications supplied on a worldwide basis.

The good start which we reported last year was continued throughout the period. As we had planned, the benefit of cost cutting and profit improvement measures which we implemented following the acquisition of Barbour Campbell, continued to flow through.

The contribution of Barbour Campbell to group sales in the year to 31 March 1996 increased to £36.0 million. The contribution to profits rose sharply from £1.96 million (10 months) to £3.12 million, an annualised improvement of 33 per cent. Operating margins were improved to 8.7 per cent by reducing costs and sharpening the focus on sales. There is scope for further improvement.

On 30 October 1995, the group acquired Blue Mountain Industries from US Industries. Historically, Blue Mountain was part of the Hanson group, along with Barbour Campbell, and Blue Mountain held the rights to [illegible]ur name in the United States markets. It had a substantial presence i[illegible]ket where the group was not represented. Its products were similar [illegible]e we alre[illegible]upplied and the sales spread and distribution locations were [illegible]llent geograp[illegible]. We paid £14.6 million in cash for Blue Mountain. In [illegible]onths since acc[illegible] it has made a contribution of £0.77 million to opera[illegible]rofits on sales of [illegible]illion, achieving an operating margin of 9.1 per cent.



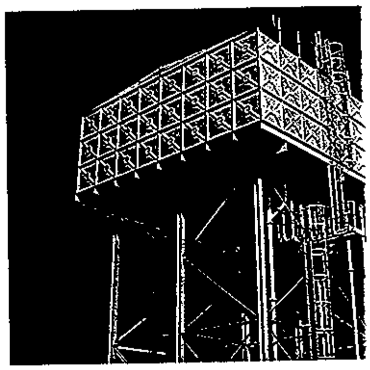
Knitwear

The knitwear division continued to perform strongly in the face of a patchy retail climate in the UK and slackening demand from Continental Europe, its two main markets. In the year to 31 March 1996, turnover rose over 6 per cent to £24.3 million. Operating profits were higher than the previous year at just over £2.6 million.

There were no changes to this division except for the sale of the Queens Road, Nottingham commission dyeing business, on which I reported last year.

The range of brands in this division includes Straven, Alan Paine, Coxmoore and Fairford, carefully chosen as middle to upper market brands which command a realistic margin but do not require the major brand support expenditure of the small number of top brands. Customers own label requirements are also catered for supplying major department stores in UK, Europe and USA.

Industrial Products



Turnover in industrial products, whose main business is water storage tanks and pipe fittings for the construction and water industries, rose 22 per cent to £17.1 million primarily as a result of the inclusion for 12 months of Dewey Waters. Operating profits rose 23 per cent to £0.91 million. The intense competition faced by our Roban business, which supplies the water industry, held back further progress.

Management and Staff

Developing a group of businesses at a sustained pace requires hard work and a commitment to performance improvement at all levels in the organisation. Adding to the group by acquisition and the changes that are required to improve returns in the post-acquisition period can often require flexibility and a willingness to adopt new thinking on the part of the management and staff.

On behalf of the board and shareholders I would like to record thanks for the unstinting effort put in by employees at all levels, which has been a major contributory factor to the results that have been achieved.

Strategy

In the current year, we intend to adhere to our well tested formula of organic growth through investment in the sales organisation, combined with a tight focus on costs at all levels. We will continue to invest capital in those projects which will improve the services and products we offer to customers whilst enhancing shareholder returns. This approach will be augmented by acquisition only if we can meet our stringent criteria of a likelihood of consistent returns, strong cash generation at the operating level and the potential for earnings improvements over the medium term.

Current Year

The acquisitions of the past two years have brought into the group manufacturing and sales in different regions of the world, and therefore access to a greater diversity of markets. We intend to build on this. We expect further gains in industrial threads, now our largest division, from operational improvements and growth in sales.

Our knitwear businesses and UK thread operations, which last year performed well in difficult trading conditions, may benefit from any sustained pick up in retail sales in the UK and Europe. There remains scope for margin gains in industrial products, although the competitive conditions which have been a feature of the last two years, show no sign of receding.

Tudor Davies
Chief Executive

Directors' Report

The directors submit their annual report and audited accounts for the year ended 31 March 1996.

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 Report.

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 1996 are dealt with in the Chairman's Statement on page 3 and the Chief Executive's Review on pages 4 to 7.

Results and Dividends

The group profit after tax for the year was £4,843,000. The board is recommending a final dividend per share of 4.4p to bring the total for the year to 6.5p (1995: 5.5p). The final dividend will, if approved, be paid on 22 July 1996 to shareholders on the register on 2 July 1996. The total dividend for the year will cost £1,541,000.

Acquisition

Details of the acquisition of Blue Mountain Industries 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	
	1996	1995
H M Grossart (Chairman)	**10,250**	5,250
T G Davies	**631,433**	615,433
C M Jones	**102,400**	110,000
S C M Little (appointed 3 April 1995)	**5,455**	—

Mr H M Grossart is a director and significant shareholder of Petronius Limited which held a further 75,000 shares at 31 March 1996 (1995: 70,000). Mr J E M Carlsen retired as a director on 27 July 1995.

Details of directors' share options are set out in the Remuneration Committee Report on page 33. There were no changes in directors' shareholdings or share options between 31 March 1996 and 13 June 1996. 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 C M Jones 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 page 33.

Major Shareholdings

The company is aware of the following holdings of 3 per cent or more in the issued capital of the company at 23 May 1996.

	%
Scottish Amicable Investment Managers Limited	**10.7**
Mercury Asset Management Limited	**7.0**
Edinburgh Fund Managers PLC	**6.9**
TR Smaller Companies Investment Trust PLC	**5.7**
Industrial Development Board for Northern Ireland	**4.2**
Pearl Assurance PLC	**4.1**
Framlington Investment Management Limited	**4.0**
Foreign & Colonial Management Limited	**3.5**
BZW Investment Management Limited	**3.3**

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 30 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 1995 Annual General Meeting.

The directors seek renewal of such authority until the 1997 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 28 per cent and 5 per cent of the current issued share capital.

The company seeks authority to purchase and cancel up to 2,374,259 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 38. 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.

Crest

From July 1996 CREST will modernise the settlement system for dealing in shares and will enable shares to be held in electronic form, rather than in a paper-based share certificate format. On 4 June 1996 the directors resolved to make the transition to CREST in relation to the company's ordinary shares in issue and to be issued. Shareholders do not however have to participate in CREST unless they wish to do so. Those shareholders who do not participate in CREST will continue to hold their shares in certificate form and will be able to transfer them under the existing system. A leaflet containing further details of CREST is being circulated with this document.

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.

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 £1,801 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 1996 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

Ceri M. Jones

C M Jones
Secretary
13 June 1996

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996

	Notes	Existing £'000	Acquired £'000	Total 1996 £'000	Total 1995 £'000
TURNOVER					
Continuing operations	1	**77,470**	**8,448**	**85,918**	65,678
Discontinued operation				—	5,050
				85,918	70,728
OPERATING PROFIT					
Operating profit before exceptional costs	1	**6,635**	**768**	**7,403**	5,213
Exceptional reorganisation costs		—	—	—	495
Continuing operations		**6,635**	**768**	**7,403**	4,718
Discontinued operation				—	219
Operating profit				**7,403**	4,937
Share of (losses)/profits of associated companies				**(85)**	30
Interest payable	3			**915**	444
Profit on ordinary activities before taxation	4			**6,403**	4,523
Tax on profit on ordinary activities	6			**1,560**	1,134
Profit attributable to shareholders				**4,843**	3,389
Dividends	7			**1,541**	1,284
Retained profit	18			**3,302**	2,105
Earnings per share	8				
Basic				**20.7p**	15.2p
Before exceptional costs				**20.7p**	17.5p

BALANCE SHEETS
31 MARCH 1996

		Group		Company	
		1996	1995	**1996**	1995
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Tangible assets	9	**18,435**	16,088	**1,329**	2,793
Investments	10	**780**	1,185	**39,695**	27,783
		19,215	17,273	**41,024**	30,576
Current assets					
Stock	12	**21,858**	15,003	**—**	—
Debtors due within one year	13	**19,938**	17,735	**377**	748
Debtors due after one year	13	**971**	821	**—**	—
Cash at bank and in hand		**8,716**	5,326	**7,865**	2,932
		51,483	38,885	**8,242**	3,680
Creditors: amounts falling due within one year					
Borrowings	14	**4,251**	2,341	**1,540**	146
Other	14	**18,823**	17,089	**2,005**	1,496
		23,074	19,430	**3,545**	1,642
Net current assets		**28,409**	19,455	**4,697**	2,038
Total assets less current liabilities		**47,624**	36,728	**45,721**	32,614
Creditors: amounts falling due after more than one year					
Borrowings	15	**21,145**	9,982	**17,930**	5,005
Other	15	**1,583**	1,334	**5,245**	6,203
		22,728	11,316	**23,175**	11,208
Provisions for liabilities and charges					
Deferred taxation	16	**421**	246	**90**	25
		24,475	25,166	**22,456**	21,381
Equity					
Called up share capital	17	**11,861**	11,668	**11,861**	11,668
Share premium account	17	**8,314**	8,029	**8,314**	8,029
Revaluation reserve	18	**540**	1,152	**—**	—
Merger reserve	18	**—**	42	**—**	—
Profit and loss account	18	**3,710**	4,225	**2,281**	1,684
Shareholders' funds		**24,425**	25,116	**22,456**	21,381
Minority interest		**50**	50	**—**	—
		24,475	25,166	**22,456**	21,381

Approved by the board of directors on 13 June 1996
On behalf of the board

C M Jones Ceri M. Jones
Director

Group Cash Flow Statement for the Year Ended 31 March 1996

	Note	1996 £'000	1995 £'000
Net cash inflow from operating activities		**7,226**	4,452
Servicing of finance			
Net interest paid		**(946)**	(556)
Dividends paid		**(1,361)**	(924)
Dividend received from associated company		**—**	17
Net cash outflow from servicing of finance		**(2,307)**	(1,463)
Taxation paid		**(1,029)**	(954)
Net cash inflow before investing and finance		**3,890**	2,035
Investing activities			
Purchase of businesses	*11*	**(14,581)**	(7,402)
Disposal of business	*11*	**2,493**	—
Investment in Barbour Vardhman Threads Limited		**—**	(843)
Repayment of loans by associated undertaking		**243**	—
Capital expenditure		**(2,157)**	(2,068)
Grants received		**475**	145
Sale of fixed assets		**194**	109
Net cash outflow from investing activities		**(13,333)**	(10,059)
Net cash outflow before financing		**(9,443)**	(8,024)
Financing			
Shares issued (net of expenses)		**478**	8,423
New loans		**15,631**	8,331
Loan repayments		**(3,536)**	(6,514)
Repayment of hire purchase and finance lease facilities		**(157)**	(464)
Net cash inflow from financing		**12,416**	9,776
Increase in cash and cash equivalents		**2,973**	1,752

Group Cash Flow Statement *(continued)* for the Year Ended 31 March 1996

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	£'000	£'000
Operating profit	**7,403**	4,937
Depreciation less profit on disposal of fixed assets	**2,034**	1,635
Capital grant release	**(298)**	(254)
Stock increase	**(2,460)**	(1,481)
Debtors increase	**(427)**	(1,295)
Creditors increase	**974**	910
Net cash inflow from operating activities	**7,226**	4,452

ANALYSIS OF CHANGES IN CASH DURING THE YEAR

	£'000
Balance at 31 March 1995	5,193
Net cash inflow	2,973
Balance at 31 March 1996	**8,166**

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996	1995	Change in year
	£'000	£'000	£'000
Cash at bank and in hand	**8,716**	5,326	3,390
Bank overdrafts	**(550)**	(133)	(417)
	8,166	5,193	2,973

ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including share premium)	Loans and finance leases
	£'000	£'000
At 31 March 1995	19,697	12,190
Cash inflow from financing	478	11,938
Foreign exchange adjustments	—	718
At 31 March 1996	**20,175**	**24,846**

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Group 1996	Group 1995
	£'000	£'000
Profit attributable to shareholders	4,843	3,389
Currency translation differences on foreign currency net investments	294	(253)
Total recognised gains for the financial year	5,137	3,136

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Group 1996	Group 1995
	£'000	£'000
Reported profit before taxation	6,403	4,523
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	28
Historical cost profit before taxation	7,015	4,551
Historical cost profits for the year retained after taxation and dividends	3,914	2,133

MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 1996	Group 1995
	£'000	£'000
Profit for the financial year	4,843	3,389
Dividends	(1,541)	(1,284)
Merger reserve on acquisition	—	4,493
Goodwill	(4,765)	(4,451)
Currency translation differences on foreign currency net investments	294	(253)
Shares issued (net of expenses)	478	9,621
	(691)	11,515
Opening shareholders' funds	25,116	13,601
Closing shareholders' funds	24,425	25,116

ACCOUNTING POLICIES

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 companies. The results of Barbour Perivale Threads (Proprietary) Limited are derived from audited accounts to 31 December 1995 and unaudited accounts for the three months to 31 March 1996. Results for Barbour Vardhman Threads Limited are derived from unaudited accounts to 31 March 1996.

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 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.

Stock

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

Research and development

Research and development expenditure is written off as incurred.

ACCOUNTING POLICIES *(continued)*

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.

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	
	1996	1995	**1996**	1995	**1996**	1995
By division:	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Industrial Threads	**44,460**	28,685	**3,889**	1,964	**27,307**	15,099
Knitwear	**24,337**	22,940	**2,604**	2,511	**10,175**	10,196
Industrial Products	**17,121**	14,053	**910**	738	**6,632**	6,435
Continuing operations	**85,918**	65,678	**7,403**	5,213	**44,114**	31,730
Discontinued operation	**—**	5,050	**—**	219	**—**	2,658
	85,918	70,728	**7,403**	5,432	**44,114**	34,388
Exceptional reorganisation costs			**—**	495		
Operating profit			**7,403**	4,937		
Associated companies					**780**	1,185
Net debt					**(16,680)**	(6,997)
Dividends and taxation					**(3,082)**	(2,602)
Unallocated net liabilities					**(657)**	(808)
Capital and reserves					**24,475**	25,166

Continuing operations are located in Europe, North America and Australia. The discontinued operation was located in the United Kingdom.

Turnover by destination	1996	1995	Turnover by origin	1996	1995
	£'000	£'000		**£'000**	£'000
United Kingdom	**35,701**	32,976	United Kingdom	**67,981**	58,541
Rest of Europe	**24,489**	20,147	Rest of Europe	**9,489**	7,137
Rest of World	**25,728**	12,555	Rest of World	**8,448**	—
Continuing operations	**85,918**	65,678	**Continuing operations**	**85,918**	65,678
Discontinued operation	**—**	5,050	Discontinued operation	**—**	5,050
	85,918	70,728		**85,918**	70,728

NOTES TO THE ACCOUNTS *(continued)*

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	1996 Total	1995 Continuing	1995 Discontinued	1995 Total
	£'000	£'000	£'000	£'000
Turnover	**85,918**	65,678	5,050	70,728
Cost of sales	**59,916**	45,086	4,188	49,274
Distribution costs	**7,760**	6,265	219	6,484
Administrative expenses	**10,839**	9,609	424	10,033
Operating profit	**7,403**	4,718	219	4,937

The result for 1996 arises solely from continuing operations and includes cost of sales of £5,416,000, distribution costs of £1,033,000 and administrative expenses of £1,231,000 in respect of the acquired business. Exceptional reorganisation costs of £495,000 are included within continuing administrative expenses for 1995.

3 INTEREST

	1996	1995
	£'000	£'000
Bank and other borrowings	**1,609**	830
Finance leases and hire purchase agreements	**13**	24
Interest receivable	**(707)**	(410)
	915	444

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

These figures are stated after charging/(crediting):

	1996	1995
	£'000	£'000
Depreciation – owned assets	**1,874**	1,386
– hire purchase and leased assets	**189**	272
Profit on disposal of fixed assets	**(29)**	(23)
Operating leases	**792**	545
Directors' remuneration (including pension contributions)	**574**	425
Audit fees	**110**	95
Capital grant release	**(298)**	(254)
Exchange losses on foreign currency borrowings	**—**	153
Exceptional item:		
Redundancy and associated costs	**—**	495

Non audit fees paid to Price Waterhouse during the year amounted to £72,000 (1995: £59,500).

Directors' remuneration disclosures are contained within the Remuneration Committee Report on pages 32 and 33. The total remuneration and share options for each director is given in the tables on pages 32 and 33.

Notes to the Accounts (continued)

5 EMPLOYEES	1996	1995
Average number of persons employed:		
Industrial Threads	**959**	669
Knitwear	**776**	952
Industrial Products	**212**	168
	1,947	1,789

Staff costs during the year:	1996 £'000	1995 £'000
Wages and salaries	**24,375**	20,538
Social security costs	**2,532**	2,067
Other pension costs	**738**	518
	27,645	23,123

6 TAX ON PROFIT ON ORDINARY ACTIVITIES	1996	1995
	£'000	£'000
UK:		
Corporation tax at 33%	**1,394**	928
Deferred tax	**80**	202
Surplus advance corporation tax reinstated	**(115)**	(11)
	1,359	1,119
(Over)/under provision in prior years:		
Current taxation	**(125)**	(199)
Deferred tax	**99**	(22)
	(26)	(221)
Overseas:		
Tax payable (including withholding taxes)	**211**	193
Deferred tax	**(9)**	7
Associated companies	**25**	36
	227	236
	1,560	1,134

7 DIVIDENDS	1996	1995	1996	1995
			£'000	£'000
Interim	**2.10p**	1.80p	**496**	420
Final	**4.40p**	3.70p	**1,045**	864
	6.50p	5.50p	**1,541**	1,284

NOTES TO THE ACCOUNTS *(continued)*

8 EARNINGS PER SHARE

Basic earnings per share have been calculated on profits of £4.843 million (1995: £3.389 million) and a weighted average number of shares in issue during the year of 23.4 million (1995: 22.25 million). Earnings per share in 1995 was also disclosed based on profits before exceptional acquisition reorganisation costs of £495,000, of £5,018,000.

Exercise in full of all outstanding share options would not result in any material dilution of earnings per share. At 31 March 1996 there were 23.72 million shares in issue.

9 TANGIBLE FIXED ASSETS

GROUP	Land and buildings Freehold	Long leasehold	Plant and equipment	Total
Cost or valuation	£'000	£'000	£'000	£'000
At 31 March 1995	9,667	74	23,203	32,944
On acquisition	1,683	—	2,219	3,902
On sale of business	(1,501)	(52)	(2,919)	(4,472)
Foreign exchange adjustments	294	—	334	628
Additions	—	19	1,977	1,996
Disposals	(105)	—	(343)	(448)
At 31 March 1996	**10,038**	**41**	**24,471**	**34,550**
1989 valuation	1,486	—	—	1,486
Cost	8,552	41	24,471	33,064
Depreciation				
At 31 March 1995	650	13	16,193	16,856
On acquisition	—	—	—	—
On sale of business	(128)	(6)	(2,565)	(2,699)
Foreign exchange adjustments	18	—	160	178
Charge for the year	134	2	1,927	2,063
Released on disposal	—	—	(283)	(283)
At 31 March 1996	**674**	**9**	**15,432**	**16,115**
Net book amount				
At 31 March 1996	**9,364**	**32**	**9,039**	**18,435**
At 31 March 1995	9,017	61	7,010	16,088

On a historical cost basis, freehold land and buildings would be included at a net book amount of £8,769,000 (1995: £8,011,000). Depreciation is not provided on freehold land with a cost or valuation of £3,834,000 (1995: £4,752,000). Assets held on hire purchase agreements and finance leases are included in plant and equipment at a cost of £1,537,000 (1995: £2,116,000) with accumulated depreciation of £869,000 (1995: £1,011,000).

NOTES TO THE ACCOUNTS *(continued)*

9 TANGIBLE FIXED ASSETS *(continued)*

COMPANY	Land and buildings Freehold	Long leasehold	Plant and equipment	Total
Cost	£'000	£'000	£'000	£'000
At 31 March 1995	3,067	52	102	3,221
Additions	—	—	5	5
Disposals	(1,501)	(52)	—	(1,553)
At 31 March 1996	**1,566**	**—**	**107**	**1,673**
Depreciation				
At 31 March 1995	358	6	64	428
Charge for the year	29	—	21	50
Released on disposal	(128)	(6)	—	(134)
At 31 March 1996	**259**	**—**	**85**	**344**
Net book amount				
At 31 March 1996	**1,307**	**—**	**22**	**1,329**
At 31 March 1995	2,709	46	38	2,793

Depreciation is not provided on freehold land with a cost of £878,000 (1995: £1,720,000). The company holds no assets under hire purchase or finance lease agreements.

10 INVESTMENT IN GROUP COMPANIES	**Shares**	**Loans**	**Total**
GROUP	**£'000**	**£'000**	**£'000**
INVESTMENT IN ASSOCIATES			
At 31 March 1995	524	661	1,185
Foreign exchange adjustments	(34)	(18)	(52)
Share of loss before taxation	(85)	—	(85)
Loan repayments	—	(243)	(243)
Share of taxation charge	(25)	—	(25)
At 31 March 1996	**380**	**400**	**780**
COMPANY			
INVESTMENT IN SUBSIDIARIES			
At 31 March 1995	10,830	16,953	27,783
Foreign exchange adjustments	—	507	507
Additions	600	22,398	22,998
Disposals	(51)	(50)	(101)
Repayments	—	(9,863)	(9,863)
Provisions	(1,629)	—	(1,629)
At 31 March 1996	**9,750**	**29,945**	**39,695**

The cumulative amount provided against the cost of shares in subsidiaries is £2,546,000 (1995: £1,117,000). The cumulative amount provided against loans to subsidiaries is £1,969,000 (1995: £2,091,000).

NOTES TO THE ACCOUNTS *(continued)*

10 INVESTMENT IN GROUP COMPANIES *(continued)*

The main subsidiary companies are listed below.

	Country of Operation	Effective % of issued share capital held
Industrial Threads		
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%
Knitwear		
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%
Industrial Products		
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%
Associated Companies		
Barbour Perivale 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 1996 Annual Return.

NOTES TO THE ACCOUNTS *(continued)*

11 ACQUISITIONS AND DISPOSAL

BLUE MOUNTAIN INDUSTRIES ACQUISITION

On 30 October 1995 the group acquired Blue Mountain Industries from US Industries Inc. for an initial consideration of US$22.5 million (£14.3m) plus acquisition costs. The final purchase price is not expected to exceed US$22.8 million plus acquisition costs, all payable in cash.

Fair value of net assets	**Book Value £'000**	**Fair Value Adjustments £'000**	**Fair Value £'000**
Tangible fixed assets	3,487	415	3,902
Stock	4,306	(250)	4,056
Debtors	3,087	(150)	2,937
Cash in hand	4	—	4
Trade and other creditors	(708)	—	(708)
Deferred taxation	—	132	132
Net assets acquired	10,176	147	10,323
Fair value of consideration			
Cash (including expenses)			14,585
Goodwill (note 18)			4,262

The exchange rate applied at the date of acquisition was £1 = US$1.58.

Fair value adjustments comprise the revaluation of land and buildings and the application of group accounting policies to stock and debtors.

In the period 1 October 1995 to 30 October 1995 Blue Mountain Industries made an unaudited operating profit of US$47,000, and in the year ended 30 September 1995 made an unaudited operating profit of US$2,990,000.

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

	1996 £'000	1995 £'000
Cash consideration	**14,585**	3,009
(Cash)/overdraft acquired	**(4)**	4,393
	14,581	7,402

The business acquired during the year generated £1,468,000 of the group's net operating cashflow, received £6,000 in respect of returns on investments, paid £11,000 in respect of taxation and utilised £91,000 acquiring fixed assets.

NOTES TO THE ACCOUNTS *(continued)*

11 ACQUISITIONS AND DISPOSAL *(continued)*

QUEENS ROAD DISPOSAL

On 1 April 1995 the group sold its Queens Road, Nottingham commission dyeing business. The business was sold for net asset value as follows:

	£'000
Fixed assets	1,773
Stock	108
Debtors	1,477
Creditors	(865)
Total proceeds	2,493

12 STOCK

	Group 1996	Group 1995
	£'000	£'000
Raw materials	**3,528**	2,289
Work in progress	**6,092**	4,595
Finished stock	**12,238**	8,119
	21,858	15,003

13 DEBTORS

	Group 1996	Group 1995	Company 1996	Company 1995
	£'000	£'000	**£'000**	£'000
Due within one year				
Trade debtors	**18,635**	16,017	**—**	—
Other debtors	**286**	718	**80**	32
Prepayments	**949**	564	**—**	—
Advance corporation tax	**—**	222	**146**	126
Due from associated company	**68**	214	**—**	—
Due from group companies	**—**	—	**151**	590
	19,938	17,735	**377**	748
Due after one year				
Pension fund prepayment	**971**	821	**—**	—

NOTES TO THE ACCOUNTS *(continued)*

14 CREDITORS: amounts falling due within one year

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Bank overdraft	**550**	133	**—**	—
Bank and other loans (note 15)	**3,620**	2,006	**1,496**	102
Loan notes	**44**	44	**44**	44
Hire purchase and leasing	**37**	158	**—**	—
Borrowings	**4,251**	2,341	**1,540**	146
Trade creditors	**8,442**	7,329	**253**	85
Other taxation and social security	**1,485**	1,645	**23**	8
Other creditors	**840**	708	**5**	5
Due to group companies	**—**	—	**10**	—
Accruals and deferred income	**5,394**	5,015	**477**	382
Corporation tax	**1,617**	1,528	**192**	152
Proposed dividend	**1,045**	864	**1,045**	864
Other	**18,823**	17,089	**2,005**	1,496
	23,074	19,430	**3,545**	1,642

15 CREDITORS: amounts falling due after more than one year

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Bank and other loans	**20,854**	9,621	**17,668**	4,700
Loan notes	**262**	305	**262**	305
Hire purchase and leasing	**29**	56	**—**	—
Borrowings	**21,145**	9,982	**17,930**	5,005
Due to group companies	**—**	—	**5,245**	6,203
Accruals and deferred income	**1,583**	1,334	**—**	—
Other	**1,583**	1,334	**5,245**	6,203
	22,728	11,316	**23,175**	11,208

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	**3,672**	2,706	**2,530**	1,384
Due between 2 and 5 years	**12,848**	6,065	**11,171**	3,536
Due beyond 5 years	**4,625**	1,211	**4,229**	85
	21,145	9,982	**17,930**	5,005

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. Bank loans include £667,000 repayable by October 1997 and £2.5 million repayable by December 2000, both with interest linked to National Westminster Bank PLC's base rate. The group has a 5 year loan for £4.7 million with interest fixed at 7.78%. Monthly repayments commence in August 1996 and the loan is repayable in full by November 1999.

The group also has a number of loans denominated in US dollars and Irish pounds, which taken together amount to £14,465,000 at year end sterling conversion rates. Repayment is by a combination of instalments and single payments, with individual loans repaid in full between October 2000 and October 2002. Interest on currency loans amounting to £6,551,000 is fixed at rates between 6.85% and 6.95% and interest on currency loans amounting to £7,914,000 is linked to LIBOR.

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 1996 the limit was £49 million (1995: £50 million).

16 DEFERRED TAXATION

The movement on the deferred taxation provision is as follows:	Group	Company
	£'000	£'000
At 31 March 1995	246	25
On acquisition	(132)	—
Movement on current ACT recoverable	137	137
Charge/(credit) for the year	170	(72)
At 31 March 1996	**421**	**90**

The deferred taxation provision comprises:

GROUP	**Amounts provided**		**Total potential liability**	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	**415**	434	**457**	487
Timing difference on pension fund	**315**	271	**315**	271
Short term timing differences	**(309)**	(317)	**(309)**	(317)
Surplus ACT available for offset	—	(5)	—	(5)
Less: Current ACT recoverable	—	(137)	—	(137)
	421	246	**463**	299

NOTES TO THE ACCOUNTS *(continued)*

16 DEFERRED TAXATION *(continued)*

COMPANY

	Amount provided and total potential liability	
	1996	1995
	£'000	£'000
Accelerated capital allowances	**93**	158
Short term timing differences	**(3)**	4
Less: Current ACT recoverable	**—**	(137)
	90	25

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	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Ordinary shares of 50p each	**15,000**	15,000	**11,861**	11,668

Options were exercised over 387,000 shares at prices ranging between 52p and 232p during the year. At 31 March 1996 options outstanding under the Senior Executive Share Option Scheme were as follows:

Year of Grant	Latest date for exercise	Option Price	No. of Shares
1988	13 June 1998	70p	20,000
1991	30 July 2001	75p	10,000
1992	14 July 2002	142p	65,000
1993	19 July 2003	186p	46,000
1994	1 August 2004	232p	256,000
			397,000

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

SHARE PREMIUM ACCOUNT	£'000
At 31 March 1995	8,029
Premium on shares issued this year	285
At 31 March 1996	**8,314**

NOTES TO THE ACCOUNTS *(continued)*

18 RESERVES

	Revaluation Reserve	Merger Reserve	Group Profit and Loss Account	Company Profit and Loss Account
	£'000	£'000	£'000	£'000
At 31 March 1995	1,152	42	4,225	1,684
Profit for the year	—	—	3,302	597
Revaluation transfer	(612)	—	612	—
Goodwill on acquisition (note 11)	—	(42)	(4,220)	—
Goodwill adjustment	—	—	(503)	—
Foreign exchange adjustments	—	—	294	—
At 31 March 1996	**540**	**—**	**3,710**	**2,281**

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 £2,138,000 (1995: £979,000).

The goodwill adjustment of £503,000 arises following the final assessment of the fair values arising from the acquisition of Barbour Campbell Group Limited and Dewey Waters in the year ended 31 March 1995.

The cumulative amount of goodwill written off in respect of acquisitions at 31 March 1996 was £11,519,000 (1995: £6,754,000).

19 COMMITMENTS

	Group		Company	
	1996	1995	**1996**	1995
Capital commitments	**£'000**	£'000	**£'000**	£'000
Contracted for but not provided	**350**	255	—	—

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

	Land and Buildings		Plant and Equipment	
	1996	1995	**1996**	1995
Leases expiring:	**£'000**	£'000	**£'000**	£'000
Within 1 year	**64**	68	**157**	167
Between 1 & 5 years	**220**	120	**276**	276
In over 5 years	**279**	285	—	—
	563	473	**433**	443

NOTES TO THE ACCOUNTS *(continued)*

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 benefit that had accrued to members after allowing for expected future increases in earnings.

The principal actuarial assumptions used were:

	Per Annum
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.

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

	1996 £'000	1995 £'000
Regular cost	**506**	464
Spreading of additional surplus	**(34)**	(21)
Interest on prepayment	**(72)**	(84)
	400	359

The cost of other defined benefit arrangements was £135,000 (1995: £74,000). Additionally the group made payments to defined contribution schemes amounting to £203,000 (1995: £85,000).

21 CONTINGENT LIABILITIES

The company has a contingent liability of £4.3 million at 31 March 1996 (1995: £3.6 million) in respect of guarantees given to support borrowings of certain subsidiary companies.

DIRECTORS' STATEMENTS ON CORPORATE GOVERNANCE MATTERS

STATEMENT OF COMPLIANCE WITH THE CADBURY CODE OF BEST PRACTICE

The company has an audit committee comprising the entire board of directors. This committee thus 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 1996.

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 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 1997, there is in place a bonus scheme for the executive directors linked to growth in fully taxed earnings per share and capped at two-thirds of basic salary.

Directors' Remuneration

Details of directors' remuneration for 1996 and 1995 are set out below:

Director	Basic salary	Benefits in kind	Performance related pay	**Total 1996**	Total 1995	**Pensions 1996**	Pensions 1995
	£'000	£'000	£'000	**£'000**	£'000	**£'000**	£'000
H M Grossart	24	—	—	**24**	21	—	—
T G Davies	108	11	67	**186**	139	**35**	16
C M Jones	80	6	46	**132**	100	**25**	11
S C M Little	70	7	32	**109**	—	**21**	—
J T Lister	—	—	—	—	42	—	—
J E M Carlsen	41	1	—	**42**	96	—	—
	323	25	145	**493**	398	**81**	27

Benefits in kind principally relate to the provision of a company car and private medical cover. Bonuses for the year to 31 March 1996 were linked to growth in earnings per share over the previous year. Pension contributions are based on remuneration excluding benefits in kind.

REMUNERATION COMMITTEE REPORT *(continued)*

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 as at 1.4.95	Exercised	as at 31.3.96	Exercise price	Market price at date of exercise	Date first exercisable	Expiry date
T G Davies	30,000	(30,000)	—	72p	310p	1.8.93	1.8.00
	72,000	(72,000)	—	74p	310p	8.7.94	8.7.01
	50,000	(50,000)	—	75p	310p	29.7.94	29.7.01
	50,000	(50,000)	—	142p	310p	14.7.95	14.7.02
	98,000	—	98,000	232p	—	1.8.97	1.8.04
C M Jones	25,000	—	25,000	142p	—	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 1996 was 336p (31 March 1995: 222p) and the range during the year was 215p to 336p.

Service Contracts

Except as set out below, 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.

H M Grossart
Chairman of the Remuneration Committee

Auditors' Report on Corporate Governance Matters

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

In addition to our audit of the accounts of the company and the group we have reviewed the directors' statements on page 31 on the group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

BASIS OF OPINION

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

OPINION

With respect to the directors' statement on internal financial control and going concern, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statements appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse Price Waterhouse
Chartered Accountants

Nottingham
13 June 1996

Directors' Responsibilities and Auditors' Report

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 30, including the more detailed information set out in the Remuneration Committee Report on pages 32 and 33 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 the company's and group's affairs as at 31 March 1996 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 Price Waterhouse
Chartered Accountants
and Registered Auditors

Nottingham
13 June 1996

FINANCIAL SUMMARY

	1991	1992	1993	1994	1995	**1996**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover	21,079	24,598	29,506	35,438	70,728	**85,918**
Operating profit	1,589	2,389	2,963	3,527	5,432*	**7,403**
Operating margin	7.5%	9.7%	10.0%	10.0%	7.7%*	**8.6%**
Earnings per share	7.7p	11.1p	12.9p	15.2p	17.5p*	**20.7p**
Earnings growth		44%	16%	18%	15%	**18%**
Dividends per share	2.25p	3.4p	4.0p	4.6p	5.5p	**6.5p**
Dividend growth		51%	18%	15%	20%	**18%**
Capital employed						
Capital and reserves	6,380	10,906	11,913	13,651	25,166	**24,475**
Net debt/(cash)	3,929	(1,579)	6	401	6,997	**16,680**
	10,309	9,327	11,919	14,052	32,163	**41,155**
Interest cover	2.2	10.9	26.9	42.0	11.1	**8.1**
Return on average capital employed	17.3%	24.3%	27.9%	27.2%	23.5%*	**20.2%**
Capital expenditure	599	707	1,487	1,320	2,073	**1,996**
Depreciation	493	760	834	845	1,658	**2,063**

* before exceptional costs

SHAREHOLDER INFORMATION

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, South 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 222873

Auditors	Price Waterhouse
Solicitors	Edwards Geldard McGrigor Donald
Stockbrokers	Credit Lyonnais Laing Bell Lawrie White & Co.
Bankers	National Westminster Bank PLC Northern Bank Limited
Actuaries	William M Mercer Limited
Company Registration Number	406925
Registered Office	19 Stanwell Road Penarth South Glamorgan CF64 2EZ

NOTICE OF MEETING

Notice is hereby given that the fiftieth Annual General Meeting of Hicking Pentecost PLC will be held at 12 noon on Wednesday 17 July 1996, at the offices of Hicking Pentecost PLC, 19 Stanwell Road, Penarth 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 1996 and the auditors' report thereon.

2 to declare a final dividend.

3 to re-elect as a director Mr C M Jones 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 1997 or on the 16 October 1997, whichever is the earlier, in respect of relevant securities up to an aggregate nominal amount of £3,128,701.

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 1997 or on the 16 October 1997, 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 £593,565.

Ordinary Resolution

7 That, in accordance with section 166 of the Companies Act 1985, the Company be and is hereby generally and unconditionaly authorised to make market purchases (as defined in section 163(3) of the Companies Act 1985) of up to an aggregate of 2,374,259 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 1997, 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 *Chris M. Jones*
Secretary

19 Stanwell Road, Penarth
South Glamorgan CF64 2EZ

13 June 1996

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 at page 39. 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.

Copies of all service agreements between directors and the company other than those expiring or determinable by the company without compensation within one year and a statement of transactions of directors (and their family interests) in the share capital of the company will be available for inspection at the registered office of the company during normal business hours on any weekday until the date of the meeting and will be available for 15 minutes before and during the meeting.

FORM OF PROXY

I, the undersigned, being a member of Hicking Pentecost PLC, hereby appoint the Chairman of the Meeting (see note 1) or

....

as my proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held at 12 noon on the 17th day of July 1996 at the offices of Hicking Pentecost PLC, 19 Stanwell Road, Penarth CF64 2EZ and at any adjournment thereof.

I wish my proxy to vote as shown below in respect of the Resolutions set out in the Notice of the Meeting:

	For	Against
ORDINARY BUSINESS		
Resolution No. 1	☐	☐
Resolution No. 2	☐	☐
Resolution No. 3	☐	☐
Resolution No. 4	☐	☐
SPECIAL BUSINESS		
Resolution No. 5	☐	☐
Resolution No. 6	☐	☐
Resolution No. 7	☐	☐

Please indicate how you wish your proxy to vote by placing a tick in the appropriate box opposite each Resolution. If no indication is given your proxy will be determined to have the authority to vote or abstain at his or her discretion.

Signed.. Dated this .... day of............................. 1996

Name..

Address ....

....

....

Notes:

1. If any other proxy is preferred strike out the reference to the Chairman of the Meeting stated above, add the name of the proxy you wish to appoint and initial the alteration. A member may appoint more than one proxy to attend on the same occasion.
2. If the appointor is a corporation this form must be executed either under its common seal or under the hand of a duly authorised officer.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members. The signature of one holder will suffice, but the name of all the joint holders should be stated.
4. If you do not indicate how the person appointed proxy shall vote, the proxy may vote or abstain from voting at his/her discretion.
5. To be valid, this form must be completed and deposited at the company's registrars, at the address shown overleaf, not later than 48 hours before the Annual General Meeting. Deposit of the form of proxy will not preclude a member from attending and voting at the meeting or at any adjournment of it.

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BUSINESS REPLY SERVICE
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Exchange Registrars Limited,
18 Park Place,
Cardiff
CF1 1YU

First Fold

Second fold