HICKING PENTECOST PLC

ANNUAL REPORT 1995

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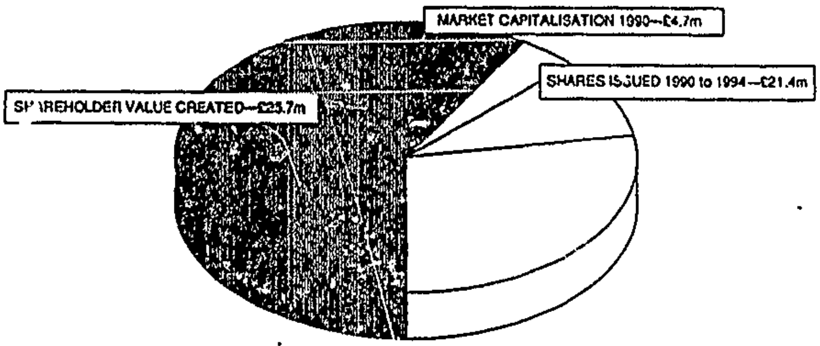
FINANCIAL HIGHLIGHTS

• Profit before tax – £4.5 million	up 31%
• Earnings per share before exceptional costs – 17.5p	up 15%
• Dividends per share – 5.5p	up 20%
• Net assets per share – 108p	up 32%

GROUP PROFILE

- Hicking Pentecost is dedicated to increasing value for shareholders by continued growth in earnings per share and dividends.
- Annual growth in earnings per share has averaged 22% over the past five years, and dividends per share have increased by an average 25%.
- We have achieved this growth by improving operating performance, organic growth, and through selective acquisitions.
- Hicking Pentecost now encompasses textiles, specialist industrial thread, and industrial products.

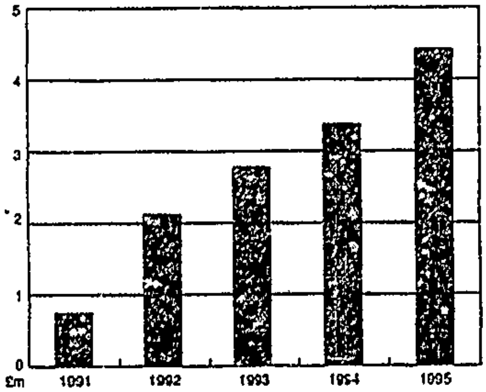
SHAREHOLDER VALUE CREATED 1990-1995



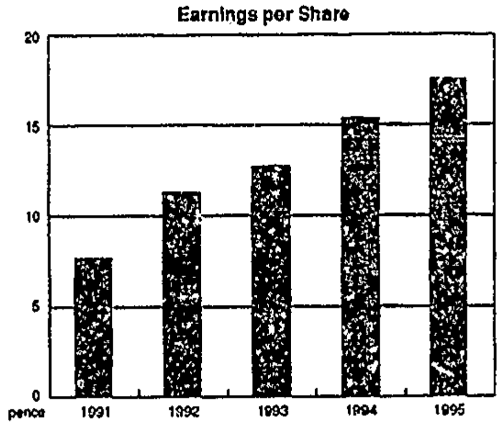
	£millions
MARKET CAPITALISATION 1990	4.70
SHARES ISSUED JULY 1990	2.15
SHARES ISSUED JULY 1991	4.88
SHARES ISSUED MAY 1994	14.40
SHAREHOLDER VALUE CREATED	25.67
MARKET CAPITALISATION 1995	51.80

FIVE YEAR RECORD

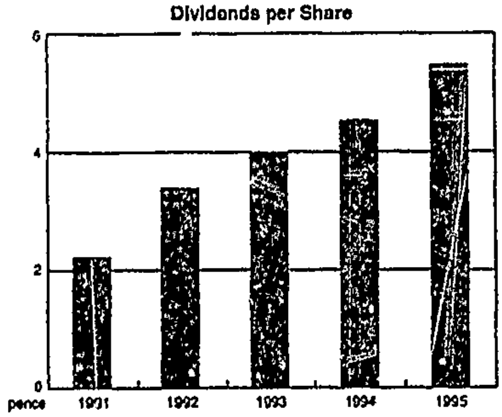
Profit before Tax



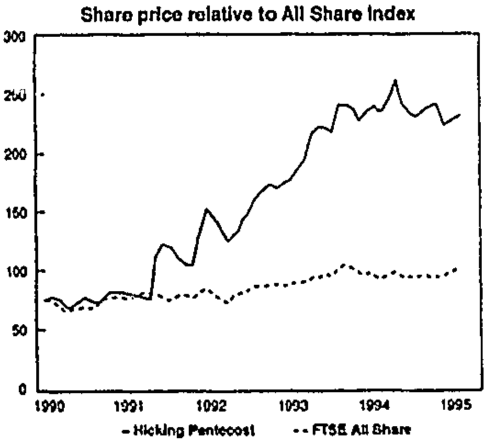
Earnings per Share



Dividends per Share



Share price relative to All Share Index



DIRECTORS

Hamish Grossart, aged 38, joined the board in November 1991 as a non executive director and was appointed Non Executive Chairman in August 1994. He is chairman of EFT Group PLC, Eclipse Blinds PLC and Scottish Highland Hotels Group Limited. He is also a non executive director of Scottish Radio Holdings PLC and Cairn Energy PLC.

Tudor Davies, aged 43, is a chartered accountant and joined the board as Group Managing Director in 1990 and is now Chief Executive. He has a wide industrial experience as a major shareholder and director in private companies, and was previously a partner in corporate recovery with one of the leading firms of accountants.

Ceri Jones, aged 35, is a chartered accountant and joined the board as Finance Director in 1990. Following public practice experience with KPMG and Arthur Young, he has worked in industry since 1986.

Simon Little, aged 44, joined Hicking Pentecost in 1991 and was appointed Operations Director in April 1995. He has a background in production, sales and general management with Rolls Royce, Imperial Tobacco, Reed International and Wessex Water.

John Carlsen, aged 60, is an engineer who has designed and marketed worldwide specialised products and processes for the automotive and other industries. He is retiring from executive duties and will become a Non Executive Director of the company with effect from the conclusion of this year's Annual General Meeting.

CHAIRMAN'S STATEMENT

I am pleased to report that, for the fifth successive year, Hicking Pentecost has achieved an improvement in sales, profits, earnings and dividends. The spread and quality of the group's businesses has been improved and net assets doubled, creating a stronger platform for further development. First class progress has been made in improving operating performance at specialist thread manufacturer Barbour Campbell, the group's first major acquisition, and the benefit from that should continue to flow through in the current financial year.

A full review of operational performance and of acquisitions completed during the year is contained in the Chief Executive's Review on pages 6 to 11.

RESULTS

In the year to 31 March 1995, turnover from continuing operations more than doubled to £66 million, including a ten month contribution from Barbour Campbell and a four month contribution from Dewey Waters. Operating profit on continuing activities rose 67 per cent to £5.2 million, before an exceptional charge of £0.5 million relating to the reorganisation implemented at Barbour Campbell. Profit before taxation rose 31 per cent to £4.5 million and adjusted earnings per share (excluding the exceptional charge) rose a creditable 15 per cent to 17.5 pence. This is the fifth year in succession that adjusted earnings per share have risen by 15 per cent or more.

DIVIDENDS

As a result of the good performance achieved during the year, the strong financial position of the group, and in particular the good prospects for further progress, the board is recommending a final dividend of 3.7 pence per share which, when taken together with the interim dividend of 1.8 pence per share already paid, will result in a total dividend for the year of 5.5 pence. This represents an increase of 20 per cent on last year's total.

MANAGEMENT AND EMPLOYEES

The results achieved during the year are a credit to the leadership and vision of the executive directors and a reflection of the consistent effort put in by both the experienced management team within the divisions and employees at all levels.

OUTLOOK

We start the current financial year with a sense of confidence in the future. The extensive capital investment in equipment and acquisitions should produce improvements. We will also benefit from a full year's contribution to profits from the two most recent acquisitions. The full effect of the changes made in the Industrial Threads division post acquisition will flow increasingly to the bottom line.

We will continue to focus our prime effort on making gains in existing businesses. Our enlarged balance sheet gives us scope to augment this by continuing our successful acquisition policy of careful selection and research before spending hard-earned shareholders' funds. Financial prudence together with cost and cash consciousness will continue to be applied vigorously.

Although it is early days, I can report that sales and operating performance for the first 2 months of the year are usefully ahead of the corresponding period and represent a good start to the year. This underlines our confidence that the current year will see further progress for shareholders.

Hamish Grossart
Non Executive Chairman

CHIEF EXECUTIVE'S REVIEW

For the fifth successive year we have increased earnings per share (before exceptional items) and dividends, and we are very pleased with the progress at Barbour Campbell which has provided a major contribution to this year's growth.

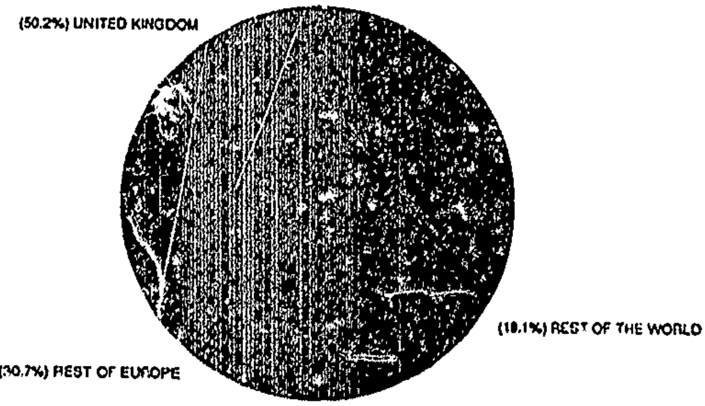
Despite the mixed trading conditions due in part to the very warm Autumn and Winter, our Textiles division achieved a modest increase in profits and net trading margins were an excellent 10.9 per cent. whilst other knitwear companies performed poorly.

Our new Industrial Threads division, Barbour Campbell, was acquired on 27 May 1994 and performed well as a result of both good export demand and more particularly the successful implementation of comprehensive cost reduction and profit improvement measures. In its first ten months it achieved operating margins of 6.8 per cent, a substantial improvement on its previous performance. These margins can be improved further.

In Industrial Products, an increase in sales and profits were achieved, and this division, our smallest, should benefit from the acquisition of Dewey Waters towards the end of the year.

The group's business is now well spread across several industries and geographic markets and we are no longer dependent on the original textiles businesses to achieve our objective of consistently enhancing shareholder value through increases in earnings per share and dividends.

SALES BY GEOGRAPHIC MARKET



CHIEF EXECUTIVE'S REVIEW

TEXTILES

Operating profit on continuing operations increased slightly to £2.5 million on sales of £22.9 million. Sales increased mainly through the inclusion of Alan Paine for a full year.

The continuing businesses within this division are fully fashioned knitwear manufacturers combined with vertically integrated dyeing operations. Knitwear sales are well spread geographically to small independent retailers as well as larger stores such as Harrods, Selfridges, Burberry and Aquascutum. Garments are sold under the brand names of Straven, Alan Paine, Coxmoore and Fairford as well as under customers' own labels.

Our knitwear businesses performed well during the year again achieving excellent operating margins in excess of 10% in very difficult market conditions. The market was adversely affected by a very warm Autumn and Winter which resulted in reductions in demand, compounded by competition from other manufacturers seeking to fill capacity. We are particularly pleased with the performance of management and employees whose flexible working methods and low fixed costs enabled us to generate very acceptable returns whilst some more famous knitwear names lapsed into trading losses. It was a far from ideal market place for the recommencement of trading of our high quality knitwear business, Alan Paine, which we had recently acquired out of receivership. After a slow start in reviving production, management performed well to retain market share and provide a useful contribution.

The discontinued business is our Queens Road, Nottingham plant which is involved in commission dyeing and finishing of fabric. During the year the contribution at the operating level from this business reduced from £410,000 to £219,000. As it was not involved with the remaining knitwear businesses and needed considerable capital investment and management attention to produce an acceptable return it was sold on 1 April 1995 for £2.5 million cash, being a sum equivalent to net asset value.

Straven Classic Knitwear

Alan Paine Luxury Knitwear

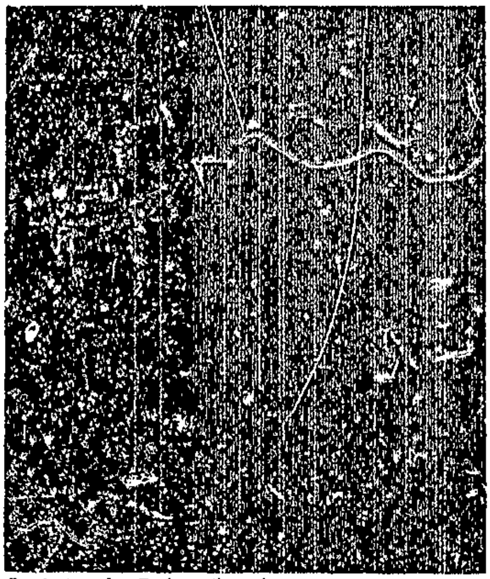
CHIEF EXECUTIVE'S REVIEW

INDUSTRIAL THREADS

Our post acquisition plans for the integration of Barbour Campbell have proceeded smoothly and in line with our expectations to provide a first time contribution of £1.96 million before exceptional costs of £0.5 million on turnover of £28.7 million.

Our pre-acquisition research had revealed that Barbour Campbell was a well established manufacturer of high quality technical thread to a worldwide market. It had been constrained by high levels of debt and was undermanaged, but had potential for major cost savings and organic growth through improved marketing. Following an in depth review, it was confirmed that administration and con[illegible] costs were inappropriate for the size of business, and management was highly centralised. We have removed non productive management and administration where roles were often duplicated and this has resulted in a reduction in staff numbers of 57, the costs of which are reflected in the exceptional charge.

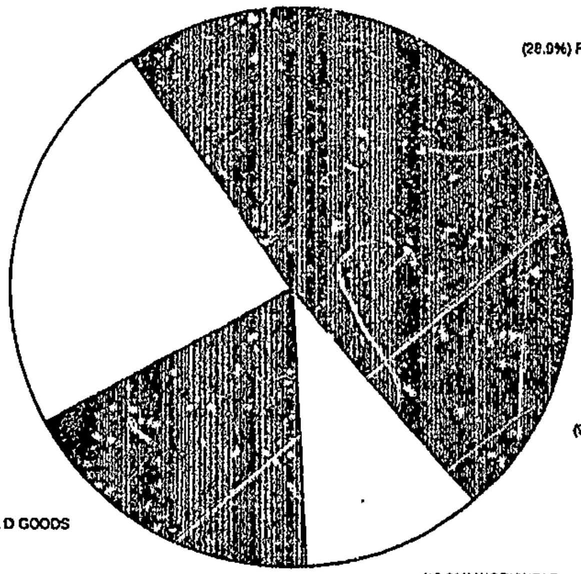
Barbour Campbell produces a wide range of premium quality technical threads to satisfy its customers exact requirements which include material type, thickness, shrinkage, stretch, chemical or abrasion resistance, machine stitch and speed. It does not compete in the volume commodity clothing thread market and has a significant market share in non clothing threads across a wide number of industries throughout the world. The new management team have responded well to the changes and are looking forward to developing the business further. We continue to make productivity improvements and technical advances and have invested £1 million in new equipment to develop our product range for existing and new customers.


Products using Barbour thread


A Selection of Barbour threads

CHIEF EXECUTIVE'S REVIEW

INDUSTRIAL THREADS—WORLDWIDE SALES BY PRODUCT SECTOR



Manufacturing facilities were established at a new plant in India through a joint venture with Mahavir Spinning, a local manufacturer of clothing thread. This factory is additional to the existing manufacturing facilities in the United Kingdom, Italy, a joint venture in South Africa and selling and distribution operations in 30 locations worldwide. Our geographic coverage enables us to be well positioned to meet the increasing trend towards global manufacturing and the attendant demand for high quality components supplied on a worldwide basis.

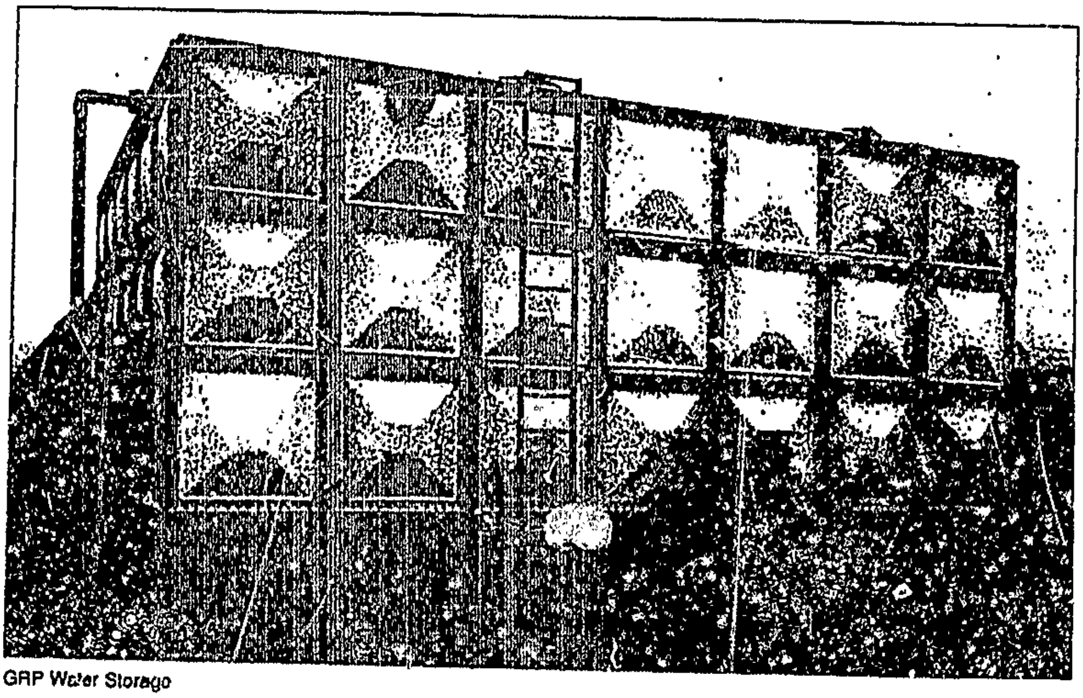
CHIEF EXECUTIVE'S REVIEW

INDUSTRIAL PRODUCTS

Operating profits showed a slight improvement from £652,000 to £738,000 due to an improvement in demand from the construction industry for our water storage systems. Progress was affected by reduced demand from the water industry where there has been a slow down in capital projects.

During December we purchased the water storage business of Dewey Waters from the receiver for £2.6 million. Dewey Waters, based near Bristol, complements our existing businesses Nicholson Plastics and Horseley Bridge, whose operations are in Scotland, Liverpool, Birmingham and London, and completes our national coverage.

Our forging operation, which serves the general engineering, truck and tractor markets, had previously been depressed but experienced an upturn in trading. In particular there has been an encouraging increase in enquiries from French and German manufacturers, as a result of the lower level of sterling and their own industries coming out of recession.



GRP Water Storage

CHIEF EXECUTIVE'S REVIEW

FINANCIAL POSITION

The group started the year with £13.6 million of net assets and £0.4 million of net debt.

During the year we generated £6.3 million from operations before investing £1.9 million in working capital. We spent £14.6 million cash on acquisitions (including net debt assumed), £2.9 million on new capital equipment and joint ventures, and £2.4 million on interest, taxation and dividends. To assist with this substantial investment in the future, £8.4 million (net of expenses) was raised from shareholders.

By 31 March 1995 net assets had virtually doubled to £25.1 million. Despite the substantial investment during the year, net borrowings at the year end were only £7.0 million, representing a gearing ratio of 28 per cent. Interest charges were covered 11 times. Borrowings were further reduced immediately following the year end by the £2.5 million proceeds from the sale of Queens Road representing a gearing ratio of 18 per cent.

Given the strong cash flow from operations the group has excellent scope for continuing its successful record of capital investment and selective acquisitions.

Tudor G Davies
Chief Executive

DIRECTORS' REPORT

The directors submit their annual report and audited accounts for the year ended 31 March 1995.

Principal Activities

The principal activities of the group are carried out by its Textiles, Industrial Threads and Industrial Products divisions.

Textiles comprises the manufacture of fully-fashioned knitwear and the dyeing and finishing of this and other products.

Industrial Threads comprises the manufacture of specialist industrial sewing threads.

Industrial Products comprises the manufacture of glass reinforced polyester products, steel fluid storage systems, forged components, and the supply of ductile iron pipeline, valves and tools for cutting, drilling and testing equipment.

Business Review

The development of the group's business during the financial year and its position at 31 March 1995 are dealt with in the Chairman's Statement on page 5 and the Chief Executive's Review on pages 6 to 11.

Results and Dividends

The group profit after tax for the year was £3,389,000. The board is recommending a final dividend of 3.7p to bring the total for the year to 5.5p (1994: 4.6p). The final dividend will, if approved, be paid on 28 July 1995 to shareholders on the register on 4 July 1995. The total dividend for the year will cost £1,284,000 leaving a transfer to reserves of £2,105,000.

Acquisitions

Details of the acquisition of Barbour Campbell Group Limited and Dewey Waters Limited are given in the Chief Executive's Review and in note 12 to the accounts.

Directors

The directors during the year and their beneficial interest in the shares of the company were:

	Shares	
	1995	1994
H M Grossart (Chairman from 3 August 1994)	**5,250**	200
T G Davies	**615,433**	615,433
C M Jones	**110,000**	61,000
J E M Carlsen	**750,854**	750,854
J T Lister (retired 3 August 1994 and Chairman until that date)	**—**	750,854

Mr S C M Little was appointed a director of the company on 3 April 1995.

Mr H M Grossart is a director and significant shareholder of Petronius Limited which held a further 70,000 shares at 31 March 1995. These shares were acquired on 27 May 1994.

Details of directors' share options are set out in note 6 to the accounts. There were no changes in directors' shareholdings or share options between 31 March 1995 and 19 June 1995.

No director had an interest during the year in any significant contract of the company or its subsidiaries. During the year the group maintained insurance providing liability cover for its directors and officers.

DIRECTORS' REPORT

Re-Election

In accordance with the Articles of Association Mr J E M Carlsen retires by rotation and, being eligible, offers himself for re-election. Mr Carlsen's service contract as an executive director will terminate with effect from the conclusion of this year's annual general meeting, and he is seeking re-election as a non executive director.

Mr S C M Little, having been appointed since the last annual general meeting, retires and, being eligible, offers himself for re-election. The directors, as required by the Articles of Association, recommend that Mr S C M Little be re-elected. Mr Little has a service contract with the company which would require two years notice from the date of the annual general meeting.

Major Shareholdings

Other than the directors' shareholdings shown above, the company is aware of the following holdings of 3 per cent or more in the issued capital of the company at 1 June 1995.

	%
Mercury Asset Management Limited	7.3
Scottish Amicable Investment Managers Limited	6.4
TR Smaller Companies Investment Trust PLC	5.8
Dunedin Fund Managers Limited	5.4
Pearl Assurance PLC	4.5
Industrial Development Board for Northern Ireland	4.3
Abtrust Management Limited	3.7
Kleinwort Benson Investment Management Limited	3.6
BZW Investment Management Limited	3.1
Carrow Investments Limited	3.1

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.

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 1994 annual general meeting. The directors seek renewal of such authority until the 1996 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 29 per cent and 5 per cent of the current issued share capital.

Corporate Governance

The company has an audit committee comprising the entire board of directors. This committee thus does not include three non executive directors. During the year Mr J T Lister retired as chairman, reducing the number of non executive directors to one. Mr J E M Carlsen is seeking appointment as a non executive director at this year's annual general meeting. With the exception of the above and paragraph 4.5 of the Code (on internal controls where guidance is

HICKING PENTECOST PLC

DIRECTORS' REPORT

not yet in force), the company complied fully during the year with the provisions of the Cadbury Committee's Code of Practice. The directors also believe that it is entirely valid to consider the group as a going concern based on internal forecasts and available borrowing facilities.

The company's auditors, Price Waterhouse, have reviewed our compliance with the specified matters in the Code which the Cadbury Committee recommended that the auditors should review. They have reported to the board that they are of the opinion that it is appropriate for the directors to make the above statement.

Fixed Assets

The movement in fixed assets during the year is shown in note 10 to the accounts. The directors are of the opinion that the market value of the group's properties is not significantly different from the carrying value included within these accounts.

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 £2,640 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 1995 and the date of this report.

Auditors

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

By Order of the Board

Ceri M Jones

C M Jones
Secretary
19 June 1995

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF HICKING PENTECOST PLC

We have audited the accounts on pages 16 to 41 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 21 and 22.

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 1995 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
19 June 1995

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	Notes	Existing £'000	Acquired £'000	Total 1995 £'000	Total 1994 £'000
TURNOVER					
Continuing operations	1	35,778	29,900	65,678	30,164
Discontinued operation				5,050	5,274
				70,728	35,438
OPERATING PROFIT					
Operating profit before exceptional costs		3,186	2,027	5,213	3,117
Exceptional reorganisation costs		—	495	495	—
Continuing operations		3,186	1,532	4,718	3,117
Discontinued operation				219	410
Operating profit				4,937	3,527
Share of profits of associated companies				30	—
Interest payable	3			444	84
Profit on ordinary activities before taxation	4			4,523	3,443
Tax on profit on ordinary activities	7			1,134	912
Profit attributable to shareholders				3,389	2,531
Dividends	8			1,284	760
Retained profit	19			2,105	1,771
Earnings per share	9				
Basic				15.2p	15.2p
Before exceptional costs				17.5p	15.2p

The notes on pages 23 to 41 form part of these accounts.

BALANCE SHEETS
31 MARCH 1995

	Notes	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Fixed assets					
Tangible assets	10	16,088	8,979	2,793	2,862
Investments	11	1,185	—	27,783	15,913
		17,273	8,979	30,576	18,775
Current assets					
Stock	13	15,003	5,907	—	—
Debtors due within one year	14	17,735	7,179	748	384
Debtors due after one year	14	821	788	—	—
Cash at bank and in hand		5,326	3,362	2,932	408
		38,885	17,236	3,680	792
Creditors: amounts falling due within one year					
Borrowings	15	2,341	985	146	97
Other	15	17,089	8,753	1,496	874
		19,430	9,738	1,642	971
Net current assets/(liabilities)		19,455	7,498	2,038	(179)
Total assets less current liabilities		36,728	16,477	32,614	18,596
Creditors: amounts falling due after more than one year					
Borrowings	16	9,982	2,778	5,005	448
Other	16	1,334	—	6,203	6,054
		11,316	2,778	11,208	6,502
Provisions for liabilities and charges					
Deferred taxation	17	246	48	25	29
		25,166	13,651	21,381	12,065
Equity					
Called up share capital	18	11,668	8,256	11,668	8,256
Share premium account	18	8,029	1,820	8,029	1,820
Revaluation reserve	19	1,152	1,180	—	—
Merger reserve	19	42	—	—	—
Profit and loss account	19	4,225	2,345	1,684	1,989
Shareholders' funds		25,116	13,601	21,381	12,065
Minority interest		50	50	—	—
		25,166	13,651	21,381	12,065

Approved by the board of directors on 19 June 1995

On behalf of the board

C M Jones

C M Jones
Director

The notes on pages 23 to 41 form part of these accounts.

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1995

	Notes	1995 £'000	1994 £'000
Net cash inflow from operating activities		4,452	2,573
Servicing of finance			
Net interest paid		(556)	(60)
Dividends paid		(924)	(692)
Dividend received from associated company		17	—
Net cash outflow from servicing of finance		(1,463)	(752)
Taxation paid		(954)	(385)
Net cash inflow before investing and financing		2,035	1,436
Investing activities			
Purchase of businesses	12	(7,402)	(995)
Investment in Barbour Vardhman Threads (Private) Limited		(843)	—
Capital expenditure		(2,068)	(1,320)
Grants received		145	252
Sale of plant		109	194
Net cash outflow from investing activities		(10,059)	(1,869)
Net cash outflow before financing		(8,024)	(433)
Financing			
Shares issued (net of expenses)		8,423	38
New loans (net of repayments)		1,817	(68)
Repayment of hire purchase and finance lease facilities		(464)	(298)
Net cash inflow/(outflow) from financing		9,776	(328)
Increase/(decrease) in cash and cash equivalents		1,752	(761)

The notes on pages 23 to 41 form part of these accounts

GROUP CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 MARCH 1995

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £'000	1994 £'000
Operating profit	4,937	3,527
Depreciation less profit on disposal of fixed assets	1,635	843
Income from grants	(254)	(222)
Stock increase	(1,481)	(1,282)
Debtors increase	(1,295)	(319)
Creditors increase	910	26
Net cash inflow from operating activities	4,452	2,573

ANALYSIS OF CHANGES IN CASH DURING THE YEAR

	£'000
Balance at 31 March 1994	3,362
Net cash inflow before adjustment for the effect.of exchange rates	1,752
Effect of exchange rates	79
Balance at 31 March 1995	5,193

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

	1995 £'000	1994 £'000	Change in year £'000
Cash at bank and in hand	5,326	3,362	1,964
Bank overdraft	(133)	—	(133)
	5,193	3,362	1,831

ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including share premium) £'000	Loans and finance leases £'000
At 31 March 1994	10,076	3,763
Cash inflow from financing	8,423	1,353
Shares issued for non-cash consideration	1,198	-
Loans and finance lease obligations of subsidiary acquired	—	7,212
Effect of exchange rates	—	(138)
At 31 March 1995	19,697	12,190

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1995

	1995 £'000	1994 £'000
Profit attributable to shareholders	3,389	2,531
Currency translation differences on foreign currency net investments	(253)	14
Total recognised gains and losses for the financial year	3,136	2,545

The reported profit for the year is not materially different from the profit on an unmodified historical cost basis.

MOVEMENT IN SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Profit for the financial year	3,389	2,531
Dividends	(1,284)	(760)
Merger reserve on acquisition	4,493	—
Goodwill on acquisitions	(4,451)	66
Goodwill adjustments	—	(201)
Currency movement	(253)	14
Shares issued (net of expenses)	9,621	38
	11,515	1,688
Opening shareholders' funds	13,601	11,913
Closing shareholders' funds	25,116	13,601

ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable accounting standards. FRS6 – Acquisitions and Mergers and FRS7 – Fair Values in Acquisition Accounting have been adopted in these accounts.

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 1994 and unaudited management accounts for the three months to 31 March 1995. Results for Barbour Vardhman Threads (Private) Limited are derived from unaudited management accounts to 31 March 1995.

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.

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 valuation

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

ACCOUNTING POLICIES

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	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000	1995 £'000	1994 £'000
By division:						
Textiles	22,940	17,815	2,511	2,465	10,197	8,224
Industrial Threads	28,685	—	1,964	—	15,099	—
Industrial Products	14,053	12,349	738	652	6,339	5,592
Continuing operations	65,678	30,164	5,213	3,117	31,635	13,816
Discontinued operation	5,050	5,274	219	410	2,658	2,729
	70,728	35,438	5,432	3,527	34,293	16,545
Exceptional reorganisation costs			495	—		
Operating profit			4,937	3,527		
Associated companies					1,185	—
Net debt					(6,997)	(401)
Dividends and taxation					(2,416)	(1,671)
Unallocated net liabilities					(899)	(822)
Capital and reserves					25,166	13,651

Continuing operations are all located in Europe. The discontinued operation was located in the United Kingdom.

Turnover by destination

	1995 £'000	1994 £'000
United Kingdom	32,976	22,948
Rest of Europe	20,147	6,518
Rest of World	12,555	698
Continuing operations	65,678	30,164
Discontinued operation	5,050	5,274
	70,728	35,438

NOTES TO THE ACCOUNTS

2 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	1995			1994		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	65,678	5,050	70,728	30,164	5,274	35,438
Cost of sales	45,086	4,188	49,274	20,804	4,155	24,959
Distribution costs	6,265	219	6,484	2,426	229	2,655
Administrative expenses	9,609	424	10,033	3,817	480	4,297
Operating profit	4,718	219	4,937	3,117	410	3,527

Exceptional reorganisation costs of £495,000 are included within continuing administrative expenses for 1995. The continuing operations for 1995 include cost of sales of £20,127,000, distribution costs of £2,338,000 and administrative expenses of £5,903,000 in respect of acquired businesses.

3 INTEREST

	1995 £'000	1994 £'000
Bank and other borrowings wholly repayable within 5 years	382	171
Finance leases and hire purchase agreements	24	41
Loans not wholly repayable within 5 years	448	53
Interest receivable	(410)	(181)
	444	84

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

These figures are stated after charging/(crediting):

	1995 £'000	1994 £'000
Depreciation — owned assets	1,386	674
— hire purchase and leased assets	272	171
Profit on disposal of fixed assets	(23)	(2)
Hire of plant and equipment	31	32
Other operating leases	545	200
Audit fees	95	51
Capital grant release	(254)	(222)
Exchange losses on foreign currency borrowings	143	—
Exceptional item:		
Acquisition reorganisation	495	—

Non audit fees paid to Price Waterhouse during the year amounted to £59,500 (1994: £16,500).

NOTES TO THE ACCOUNTS

5 EMPLOYEES

Average number of persons employed:

	1995	1994
Textiles	952	778
Industrial Threads	669	—
Industrial Products	168	153
	1,789	931

Staff costs during the year:

	1995 £'000	1994 £'000
Wages and salaries	20,538	10,632
Social security costs	2,067	920
Other pension costs	518	148
	23,123	11,700

6 DIRECTORS' EMOLUMENTS

Total remuneration

	1995 £'000	1994 £'000
Fees as directors	21	7
Salaries and other benefits	303	279
Performance related pay	74	91
	398	377
Pension contributions	27	24
	425	401

	1995 £'000	1994 £'000
Salary as Chairman		
J T Lister	42	52
H M Grossart	16	—

Mr H M Grossart received fees of £5,000 as a non executive director prior to his appointment as Chairman on 3 August 1994.

	1995 £'000	1994 £'000
Highest paid director		
Salary and other benefits	107	85
Performance related pay	32	35

	Number	Number
Other directors:		
£85,001 — £90,000	—	1
£95,001 — £100,000	1	1
£100,001 — £105,000	1	—

The company provided no pension contributions on behalf of the chairman and £16,000 on behalf of the highest paid director. Executive directors' performance was measured by growth in earnings per share.

6 DIRECTORS' EMOLUMENTS (continued)

Full details of share options held by the directors are set out below:

Director	Number of Options				Exercise price	Market price at date of exercise	Date first exercisable	Expiry date
	as at 1.4.94	Granted	Exercised	as at 31.3.95				
T G Davies	30,000	—	—	30,000	72p	—	1.8.93	1.8.00
	72,000	—	—	72,000	74p	—	8.7.94	8.7.01
	50,000	—	—	50,000	75p	—	29.7.94	29.7.01
	50,000	—	—	50,000	142p	—	14.7.95	14.7.02
	—	98,000	—	98,000	232p	—	1.8.97	1.8.04
C M Jones	72,000	—	(72,000)	—	74p	246p	8.7.94	8.7.01
	50,000	—	(50,000)	—	75p	246p	29.7.94	29.7.01
	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 (appointed 3.4.95)	10,000	—	—	10,000	142p	—	14.7.95	14.7.02
	7,000	—	—	7,000	186p	—	19.7.96	19.7.03
J E M Carlsen	30,000	—	(30,000)	—	72p	250p	1.8.93	1.8.00
	50,000	—	(50,000)	—	75p	250p	29.7.94	29.7.01
	50,000	—	—	50,000	142p	—	14.7.95	14.7.02
	—	70,000	—	70,000	232p	—	1.8.97	1.8.04
J T Lister (retired 3.8.94)	30,000	—	(30,000)	—	72p	242p	1.8.93	1.8.00
	50,000	—	(50,000)	—	75p	242p	29.7.94	29.7.01

The market price of Hicking Pentecost PLC ordinary shares at 31 March 1995 was 222p (31 March 1994: 245p) and the range during the year was 220p to 262p.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £'000	1994 £'000
UK:		
Corporation tax at 33 %	**928**	1,180
Deferred tax	**202**	2
Surplus advance corporation tax reinstated	**(11)**	(217)
	1,119	965
Overprovision in prior years:		
Current taxation	**(199)**	(53)
Deferred tax	**(22)**	—
	(221)	(53)
Overseas:		
Tax payable (including withholding taxes)	**193**	—
Deferred tax	**7**	—
Associated companies	**36**	—
	236	—
	1,134	912

8 DIVIDENDS

	1995	1994	1995 £'000	1994 £'000
Interim	**1.80p**	1.55p	**420**	256
Final (1994: second interim)	**3.70p**	3.05p	**864**	504
	5.50p	4.60p	**1,284**	760

9 EARNINGS PER SHARE

Basic earnings per share have been calculated on profits of £3.389 million (1994: £2.531 million) and a weighted average number of shares in issue during the year of 22.25 million (1994: 16.70 million). The 1994 weighted average number of shares has been restated for the bonus element of the placing made in May 1994.

An adjusted earnings per share calculation, based upon the results before the exceptional acquisition reorganisation costs, is set out below to facilitate comparison of the underlying performance of the group; no tax relief arose on these costs.

Earnings adjustment

	1995		1994
	Basic £'000	**Adjusted £'000**	£'000
Profit on ordinary activities before tax	**4,523**	**4,523**	3,443
Exceptional acquisition reorganisation costs	**—**	**495**	—
	4,523	**5,018**	3,443
Tax charge	**1,134**	**1,134**	912
	3,389	**3,884**	2,531
Earnings per share	**15.2p**	**17.5p**	15.2p

Reconciliation to adjusted earnings per share	**Pence**
Basic earnings per share	**15.2**
Acquisition reorganisation costs	**2.3**
Adjusted earnings per share	**17.5**

Exercise in full of all outstanding share options would not result in any material dilution of earnings per share. At 31 March 1995 there were 23.34 million shares in issue.

10 TANGIBLE FIXED ASSETS

GROUP

	Land and buildings			
	Freehold £'000	Long Leasehold £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 31 March 1994	5,506	52	10,755	16,313
On acquisition	4,371	22	10,848	15,241
Exchange adjustments	(210)	—	(197)	(407)
Additions	—	—	2,073	2,073
Disposals	—	—	(276)	(276)
At 31 March 1995	9,667	74	23,203	32,944
1989 valuation	2,759	52	—	2,811
Cost	6,908	22	23,203	30,133
Depreciation				
At 31 March 1994	348	5	6,981	7,334
On acquisition	196	6	7,975	8,177
Exchange adjustments	(13)	—	(109)	(122)
Charge for the year	119	2	1,537	1,658
Released on disposal	—	—	(191)	(191)
At 31 March 1995	650	13	16,193	16,856
Net book amount At 31 March 1995	**9,017**	**61**	**7,010**	**16,088**
At 31 March 1994	5,158	47	3,774	8,979

On a historical cost basis, freehold land and buildings would be included at a net book amount of £8,011,000 (1994 : £3,992,000). Depreciation is not provided on freehold land with a valuation of £4,752,000 (1994: £3,510,000). Assets held on hire purchase agreements and finance leases are included in plant and equipment at a cost of £2,116,000 (1994 : £1,409,000) with accumulated depreciation of £1,011,000 (1994 : £833,000).

NOTES TO THE ACCOUNTS

10 TANGIBLE FIXED ASSETS (continued)

COMPANY

	Land and buildings			
	Freehold £'000	Long Leasehold £'000	Plant and equipment £'000	Total £'000
Cost				
At 31 March 1994	3,067	52	100	3,219
Additions	—	—	10	10
Disposals	—	—	(8)	(8)
At 31 March 1995	3,067	52	102	3,221
Depreciation				
At 31 March 1994	309	5	43	357
Charge for the year	49	1	23	73
Released on disposal	—	—	(2)	(2)
At 31 March 1995	358	6	64	428
Net book amount At 31 March 1995	**2,709**	**46**	**38**	**2,793**
At 31 March 1994	2,758	47	57	2,862

Depreciation is not provided on freehold land with a valuation of £1.72 million (1994: £1.72 million). The company holds no assets under hire purchase or finance lease agreements.

NOTES TO THE ACCOUNTS

11 INVESTMENT IN GROUP COMPANIES

GROUP

INVESTMENT IN ASSOCIATES	Shares £'000	Loans £'000	Total £'000
31st March 1994	143	255	398
On acquisition	(7)	(26)	(33)
Exchange adjustments	411	432	843
Investment in Indian associate	30	—	30
Share of profit before taxation	(17)	—	(17)
Dividend received	(36)	—	(36)
Share of taxation charge			
At 31 March 1995	**524**	**661**	**1,185**

COMPANY

INVESTMENT IN SUBSIDIARIES	Shares £'000	Loans £'000	Total £'000
At 31 March 1994	9,270	6,643	15,913
Additions	1,825	10,783	12,608
Repayments	—	(351)	(351)
Provisions	(265)	(122)	(387)
At 31 March 1995	**10,830**	**16,953**	**27,783**

The cumulative amount provided against the cost of shares in subsidiaries is £1,117,000 (1994: £852,000). The cumulative amount provided against loans to subsidiaries is £2,091,000 (1994: £1,969,000).

11 INVESTMENT IN GROUP COMPANIES (continued)

The main subsidiary companies are listed below.

	Country of operation	Effective % of issued share capital held
Textiles		
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%
Alan Paine GmbH *	Germany	75%
Industrial Threads		
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-Belgium N.V. *	Belgium	100%
Barbour Threads (Proprietary) Limited *	South Africa	100%
Barbour Campbell Textiles Limited *	Northern Ireland	100%
Barbour Campbell Group Limited	Northern Ireland	100%
Industrial Products		
Nicholson Plastics Limited	Scotland	100%
HB Tanks Limited	England	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 (Private) 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 and Barbour Campbell Textiles Limited which are 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 1995 Annual Return.

NOTES TO THE ACCOUNTS

12 ACQUISITIONS

On 27 May 1994 the entire issued share capital of Barbour Campbell Group Limited was acquired for a consideration of £5.749 million and £368,000 acquisition costs. The total was settled by the issue of 2,396,192 fully paid Hicking Pentecost PLC ordinary shares (market value of 237.5p each on the day of issue) and cash payments of £426,000.

On 7 December 1994 the group acquired the trading assets and business of Dewey Waters Limited. The total consideration of £2,583,000 has been settled in cash.

Fair Value Adjustments

The adjustments mainly comprise the elimination of a plant and machinery revaluation, and the application of group accounting policies to fixed assets, investments, stock and creditors.

Fair value of net assets

	Book Value				
	Barbour Campbell £'000	Dewey Waters £'000	Revaluation £'000	Accounting Policy Alignments £'000	Fair Value £'000
Tangible fixed assets	7,721	352	(498)	(512)	7,063
Investments	598	—	—	(200)	398
Stock	7,926	289	—	(391)	7,824
Debtors	8,506	939	—	—	9,445
Cash at bank and in hand	698	2	—	—	700
Bank overdraft	(5,093)	—	—	—	(5,093)
Other borrowings	(7,212)	—	—	—	(7,212)
Trade and other creditors	(7,997)	(547)	—	(53)	(8,597)
Taxation	(175)	(82)	—	—	(257)
Deferred taxation	(22)	—	—	—	(22)
Net assets acquired	4,950	953	(498)	(1,156)	4,249
Fair value of consideration					
Cash	426	2,583			3,009
Shares	5,691	—			5,691
	6,117	2,583			8,700
Goodwill (note 19)					4,451

In the period 2 April 1994 to 26 May 1994 Barbour Campbell Group Limited made a loss after tax of £0.1 million, and in the year ended 1 April 1994 a loss after tax of £2.3 million.

In the period 1 April 1994 to 30 November 1994 unaudited accounts of Dewey Waters Limited showed an operating profit of £0.3 million. For the year ended 31 March 1994 unaudited accounts of the Dewey Waters business showed an operating profit of £0.45 million.

NOTES TO THE ACCOUNTS

12 ACQUISITIONS (continued)

PURCHASE OF BUSINESSES

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

	1995 £'000	1994 £'000
Cash consideration	3,009	1,158
Amount contributed by minority	—	(50)
Overdraft/(cash) acquired	4,393	(113)
	7,402	995

The businesses acquired during the year generated £1,951,000 of the group's net operating cashflow, paid £301,000 in respect of servicing of finance, paid £119,000 in respect of taxation and utilised £1,018,000 acquiring fixed assets.

13 STOCK

	Group	
	1995 £'000	1994 £'000
Raw materials	2,289	1,226
Work in progress	4,595	1,761
Finished goods	8,119	2,920
	15,003	5,907

14 DEBTORS

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Due within one year				
Trade debtors	16,017	6,585	—	—
Other debtors	718	429	32	147
Prepayments	564	144	—	7
Advance corporation tax	222	21	126	—
Due from associated company	214	—	—	—
Due from group companies	—	—	590	230
	17,735	7,179	748	384
Due after one year				
Pension fund prepayment	821	788	—	—

15 CREDITORS: amounts falling due within one year

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank overdraft	133	—	—	—
Bank and other loans (note 16)	2,006	722	102	53
Loan notes (note 16)	44	44	44	44
Hire purchase and leasing	158	219	—	—
Borrowings	2,341	985	146	97
Trade creditors	7,329	3,959	85	50
Other taxation and social security	2,031	859	8	13
Other creditors	708	824	5	3
Accruals and deferred income	4,629	1,488	382	304
Corporation tax	1,528	1,119	152	—
Proposed dividend	864	504	864	504
Other	17,089	8,753	1,496	874
	19,430	9,738	1,642	971

16 CREDITORS: amounts falling due after more than one year

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank loans	9,407	2,035	4,700	102
Other loans	214	285	—	—
Loan notes	305	346	305	346
Hire purchase and leasing	56	112	—	—
Borrowings	9,982	2,778	5,005	448
Due to group companies	—	—	6,203	6,054
Accruals and deferred income	1,334	—	—	—
Other	1,334	—	6,203	6,054
	11,316	2,778	11,208	6,502

16 **CREDITORS:** amounts falling due after more than one year (continued)

Borrowings, all of which are repayable in instalments, comprise:

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Due between 1 and 2 years	2,706	926	1,384	97
Due between 2 and 5 years	6,065	1,389	3,536	222
Due beyond 5 years	1,211	463	85	129
	9,982	2,778	5,005	448

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 £1 million repayable by October 1997 and £2.6 million repayable by December 2001, 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 linked to Northern Bank Limited's base rate. Monthly repayments commence in May 1996 and the loan is repayable in full by October 1999.

OTHER LOANS

Other loans include £285,000 (1994: £285,000) with interest fixed at 11%. Capital repayments commence in October 1995 and full repayment is due by October 1998.

LOAN NOTES

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

HIRE PURCHASE AND FINANCE LEASES

There are no finance lease or hire purchase agreements which expire after more than 5 years.

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 1995 the limit was £50 million (1994 : £27.2 million).

17 DEFERRED TAXATION

The movement on the deferred taxation provision is as follows:

	Group £'000	Company £'000
At 31 March 1994	48	29
On acquisition	22	—
Movement on current ACT recoverable	(11)	(11)
Charge for the year	187	7
At 31 March 1995	**246**	**25**

The deferred taxation provision comprises:

GROUP

	Amounts provided		Total potential liability	
	1995 £'000	1994 £'000	**1995 £'000**	1994 £'000
Accelerated capital allowances	**434**	245	**487**	397
Timing difference on pension fund	**271**	306	**271**	306
Short term timing differences	**(317)**	(358)	**(317)**	(358)
Surplus ACT available for offset	**(5)**	(19)	**(5)**	(19)
Less: Current ACT recoverable	**(137)**	(126)	**(137)**	(126)
	246	48	**299**	200

COMPANY

	Amount provided and total potential liability	
	1995 £'000	1994 £'000
Accelerated capital allowances	**158**	175
Short term timing differences	**4**	(4)
Surplus ACT available for offset	**—**	(16)
Less: Current ACT recoverable	**(137)**	(126)
	25	29

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

NOTES TO THE ACCOUNTS

18 CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Ordinary shares of 50p each	**15,000**	11,000	**11,668**	8,256

During the year the authorised share capital was increased by £4,000,000 by the creation of 8,000,000 ordinary shares of 50p each.

On 27 May 1994 2,396,192 ordinary shares were issued as part consideration for the acquisition of Barbour Campbell Group Limited. The market price on the day of issue was 237.5p and the premium arising on issue has been dealt with as disclosed in note 19.

Also on 27 May 1994 4,128,081 ordinary shares were issued in a placing and open offer at a price of 210p to reduce the borrowings of the enlarged group following the acquisition of Barbour Campbell Group Limited.

Options were exercised over 299,000 shares at prices ranging between 72p and 75p during the year. Further options were granted over 326,000 shares at 232p and these may be exercised between 1997 and 2004. At 31 March 1995 options outstanding under the Senior Executive Share Option Scheme were as follows:

Year of Grant	Latest date for exercise	Option Price	No. of Shares
1987	2 July 1997	52p	15,000
1988	13 June 1998	70p	20,000
1990	1 August 2000	72p	30,000
1991	8 July 2001	74p	72,000
1991	29 July 2001	75p	70,000
1991	30 July 2001	75p	15,000
1992	14 July 2002	142p	190,000
1993	19 July 2003	186p	46,000
1994	1 August 2004	232p	326,000
			784,000

18 CALLED UP SHARE CAPITAL (continued)

SHARE PREMIUM ACCOUNT

	£'000
At 31 March 1994	1,820
Premium on shares issued this year	6,677
Less: issue expenses	(468)
At 31 March 1995	8,029

19 RESERVES

	Revaluation Reserve £'000	Merger Reserve £'000	Group Profit and Loss Account £'000	Company Profit and Loss Account £'000
At 31 March 1994	1,180	—	2,345	1,989
Profit/(loss) for the year	—	—	2,105	(305)
Revaluation transfer	(28)	—	28	—
Arising on issue of consideration shares	—	4,493	—	—
Goodwill on acquisition (note 12)	—	(4,451)	—	—
Currency movement	—	—	(253)	—
At 31 March 1995	1,152	42	4,225	1,684

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 £979,000 (1994: Loss: £293,000).

As permitted by Section 131 of the Companies Act 1985 the premium arising on the ordinary shares issued in connection with the acquisition of Barbour Campbell Group Limited has been credited to merger reserve against which the goodwill arising on acquisition has been written off. The merger reserve was also utilised in writing off goodwill arising on the acquisition of Dewey Waters. The cumulative amount of goodwill written off in respect of acquisitions at 31 March 1995 was £6,754,000 (1994: £2,303,000).

20 COMMITMENTS

Capital commitments

	Group		Company	
	1995 £'000	1994 £'000	**1995 £'000**	1994 £'000
Contracted for but not provided	255	144	—	3
Authorised but not yet contracted	560	—	—	—

HICKING PENTECOST PLC

NOTES TO THE ACCOUNTS

20 COMMITMENTS (continued)

Commitments under operating leases

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

	Land and Buildings		Plant and Equipment	
	1995	1994	**1995**	1994
	£'000	£'000	**£'000**	£'000
Within 1 year	**68**	—	**167**	—
Between 1 & 5 years	**120**	130	**276**	143
In over 5 years	**285**	55	**—**	—
	473	185	**443**	143

21 PENSIONS

With effect from 1 January 1995 the Hicking Pentecost Pension Scheme was merged with the Barbour Campbell Pension Plan to form the principal defined benefit arrangement in the group. The assets of the merged schemes 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%

In accordance with the actuary's recommendation the group recommenced contributions to the scheme with effect from January 1995.

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.

21 PENSIONS (continued)

Pension costs for the year in respect of the merged schemes were:

	1995	1994
	£'000	£'000
Regular cost	464	262
Spreading of additional surplus	(21)	(63)
Interest on prepayment	(84)	(102)
	359	97

The cost of other defined benefit arrangements was £74,000 (1994: £nil). Additionally the group made payments to defined contribution schemes amounting to £85,000 (1994: £50,000).

22 CONTINGENT LIABILITIES

The company has a contingent liability of £3.6 million at 31 March 1995 (1994: £1.4 million) in respect of guarantees given to support borrowings of certain subsidiary companies.

23 POST BALANCE SHEET EVENT

On 1 April 1995 the group disposed of its Queens Road, Nottingham commission dyeing and finishing business. The cash consideration of £2.5 million was received in full on completion and was equivalent to the capital employed in the business at that date.

04-08-95

FINANCIAL SUMMARY

	1991 £'000	1992 £'000	1993 £'000	1994 £'000	**1995 £'000**
Turnover	21,079	24,598	29,506	35,438	**70,728**
Operating profit	1,589	2,389	2,963	3,527	**5,432***
Operating margin	7.5%	9.7%	10.0%	10.0%	**7.7%***
Earnings per share	7.7p	11.1p	12.9p	15.2p	**17.5p***
Earnings growth		44%	16%	18%	**15%**
Dividends per share	2.25p	3.4p	4.0p	4.6p	**5.5p**
Dividend growth		51%	18%	15%	**20%**
Capital employed					
Capital and reserves	6,380	10,906	11,913	13,651	**25,166**
Net debt/(cash)	3,929	(1,579)	6	401	**6,997**
	10,309	9,327	11,919	14,052	**32,163**
Return on average capital employed	17.3%	24.3%	27.9%	27.2%	**23.5%***
Capital expenditure	599	707	1,487	1.320	**2,073**
Depreciation	493	760	834	845	**1,658**

* 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 Avon House, 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	McGrigor Donald Edwards Geldard
Stockbrokers	Credit Lyonnais Laing Allied Provincial Securities
Bankers	National Westminster Bank PLC Northern Bank Limited
Actuaries	William M Mercer Limited
Company Registration Number	406925
Registered Office	Avon House 19 Stanwell Road Penarth South Glamorgan CF64 2EZ

NOTICE OF MEETING

Notice is hereby given that the forty-eighth Annual General Meeting of Hicking Pentecost PLC will be held at 12 noon on Thursday 27th July 1995, at the offices of Credit Lyonnais Laing, Broadwalk House, 5 Appold Street, London EC2A 2DA, at which the following ordinary and special business will be transacted:

ORDINARY BUSINESS

1 to receive and adopt the report of the directors and the accounts for the year ended 31 March 1995 and the auditors' report thereon.

2 to re-elect as a director Mr J E M Carlsen who retires by rotation.

3 to re-elect as a director Mr S C M Little.

4 to re-appoint the auditors and authorise the directors to fix their remuneration.

SPECIAL BUSINESS

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

Ordinary Resolution

5 That in terms of Article 5 of the company's Articles of Association the authority of the directors to allot relevant securities shall be renewed for the period ending on the date of the Annual General Meeting in 1996 or on the 26 October 1996, whichever is the earlier, in respect of relevant securities having an aggregate nominal value of £3,332,201.

Special Resolution

6 That in terms of Article 5 of the company's Articles of Association, the power of the directors to allot equity securities wholly for cash pursuant to and within the terms of the authority renewed by Resolution numbered 5 above, shall be renewed for the period ending on the date of the Annual General Meeting in 1996 or on the 26 October 1996, whichever is the earlier, and the 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 £583,390.

By order of the board

C M Jones
Secretary

Avon House, 19 Stanwell Road
Penarth, South Glamorgan CF64 2EZ

19 June 1995

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 separately. 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.