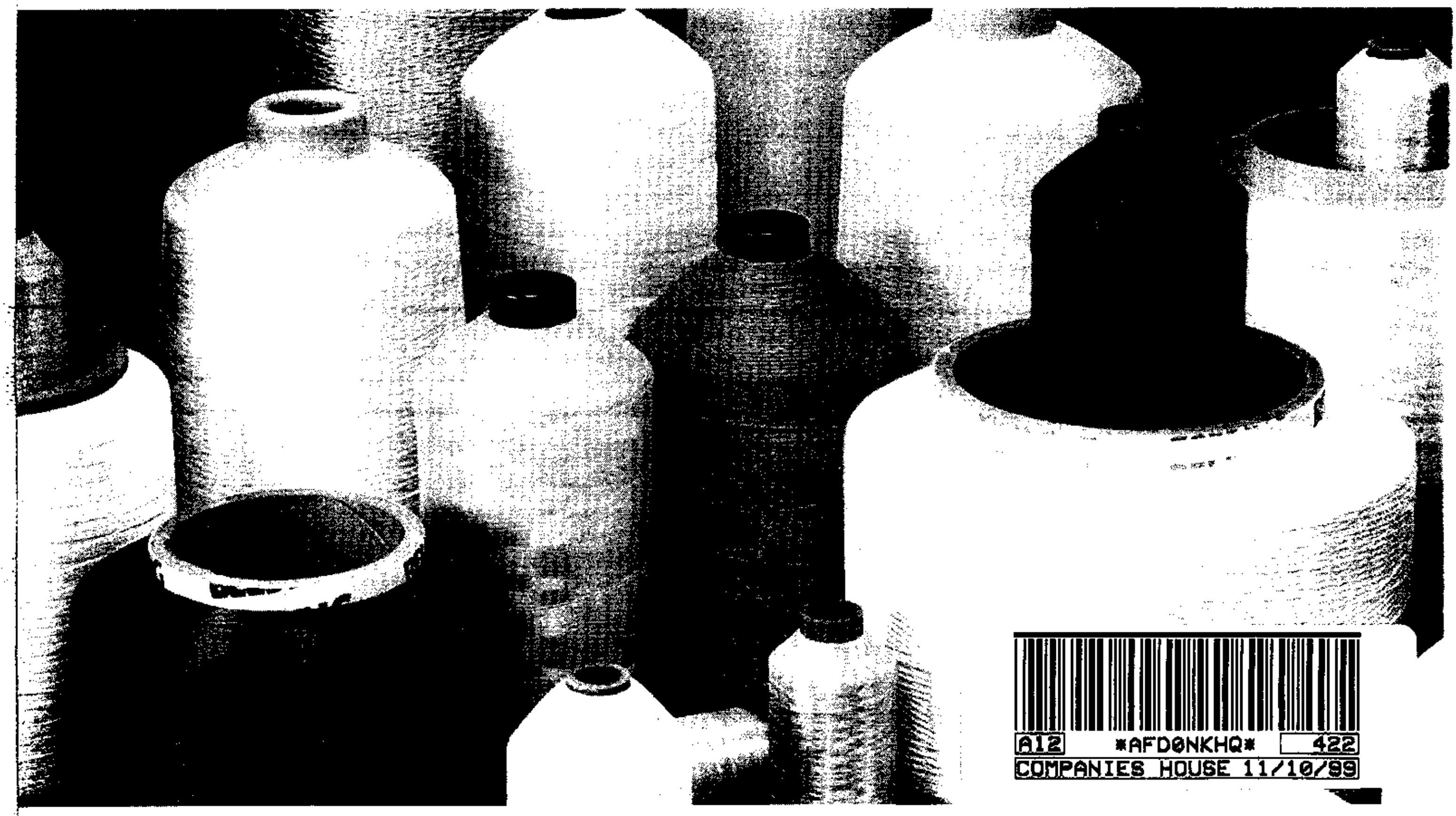
408925

CONTENTS



12-10-99
(422)

performance of Barbour Threads, but in the absence of an improvement in economic conditions, it will take time for the benefits of our manufacturing strategy to recover the full extent of this decline.

Group turnover declined by 8% to £125 million, and operating margins before exceptional costs reduced from 9.0% of turnover to 6.2%.

Exceptional charges of £1.1 million include a re-statement of £639,000 from last year as required by FRS12 which primarily related to the closure of the Alan Paine knitwear plant during the year. The remaining £508,000 relates to cost cutting measures across all our businesses, where during the year we reduced employee numbers by 459.

A feature of this year was the higher than usual level of capital expenditure of £4.9 million which included new manufacturing facilities in Alabama, U.S.A., Northern Ireland and China for Barbour Threads. This expenditure contributed to the increase in net borrowings from £21.9 million to £24.8 million.

The board has declared a second interim dividend of 5.6 pence (net) per share and with the interim dividend of 2.7 pence (net) per share already paid, means the

total for the year will be the same as last year at 8.3 pence (net) per share.

AHEAD IN THREAD

BARBOUR THREADS

During this year we have invested in new facilities in the U.S.A., Northern Ireland, a new manufacturing subsidiary in China, and increased our manufacturing capacity in our Indian joint venture. This investment totalling £4.5 million is consistent with our objective of concentrating our manufacturing in fewer but more modern facilities within the more developed economies of the U.S.A.

ACQUISITION BY COATS VIYELLA

On 4 June 1999, we announced our preliminary results for the year to 31 March 1999 and a recommended Offer of 175p per share for the company by American & Efird (UK) Limited.

Following this Offer there were the following subsequent Offers:

Date Offer Announced	*Offeror*	*Offer Price*
30 June 1999	Coats Viyella Plc	205 pence
20 July 1999	American & Efird (UK) Limited	226 pence
30 July 1999	Coats Viyella Plc	240 pence

On 3 September 1999, Coats Viyella Plc declared their Offer unconditional in all respects and now hold 94 per cent of Hicking Pentecost PLC shares.

Your Board recommended Hicking Pentecost PLC shareholders to accept the offer for the following reasons:

◆ your Board believes the 240p Offer by Coats Viyella Plc which represents a premium of 97 per cent to the closing Hicking Pentecost PLC price of 127.5p on 3 June 1999 (the last business day prior to the public announcement of the first Offer and after deducting Hicking Pentecost PLC's second interim dividend of 5.6p (net) which Hicking Pentecost PLC shareholders retained) represented attractive value to Hicking Pentecost PLC shareholders.

◆ in view of the current poor investment sentiment towards the smaller company sector in the UK and the unsettled trading outlook in textiles, your Board had concluded that, in the absence of the Offer, Hicking Pentecost PLC shareholders may not be in a position to realise equivalent value to that represented by the Offer within a reasonable time scale.

Hicking Pentecost PLC shareholders who have not yet accepted the Coats Viyella Plc Offer should do so as soon as possible and those who have queries regarding the completion of Forms of Acceptance should contact IRG plc by post at Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ or by telephone on 0181 639 2000.

Directors' Biographies

Tudor Davies
Chairman

Aged 47, 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 5" firms.

Ceri J[illegible]
[illegible]

Aged 39, is a chartered accountant and joined the board in 1990. Following public practice experience with "Big 5" firms he switched to industry in 1986.

[illegible]
[illegible]

Aged 56, joined the board in September 1998. He spent many years running the European operations of another thread manufacturer and is a director of several private companies.

Don Whitlow
Chief executive
Barbour Threads

Aged 62, he has been involved with parts of our US thread operation for many years and joined the board in 1998. He brings over 40 years experience of the textile industry to his role heading our Barbour Threads division.

Lex McVicker
Director

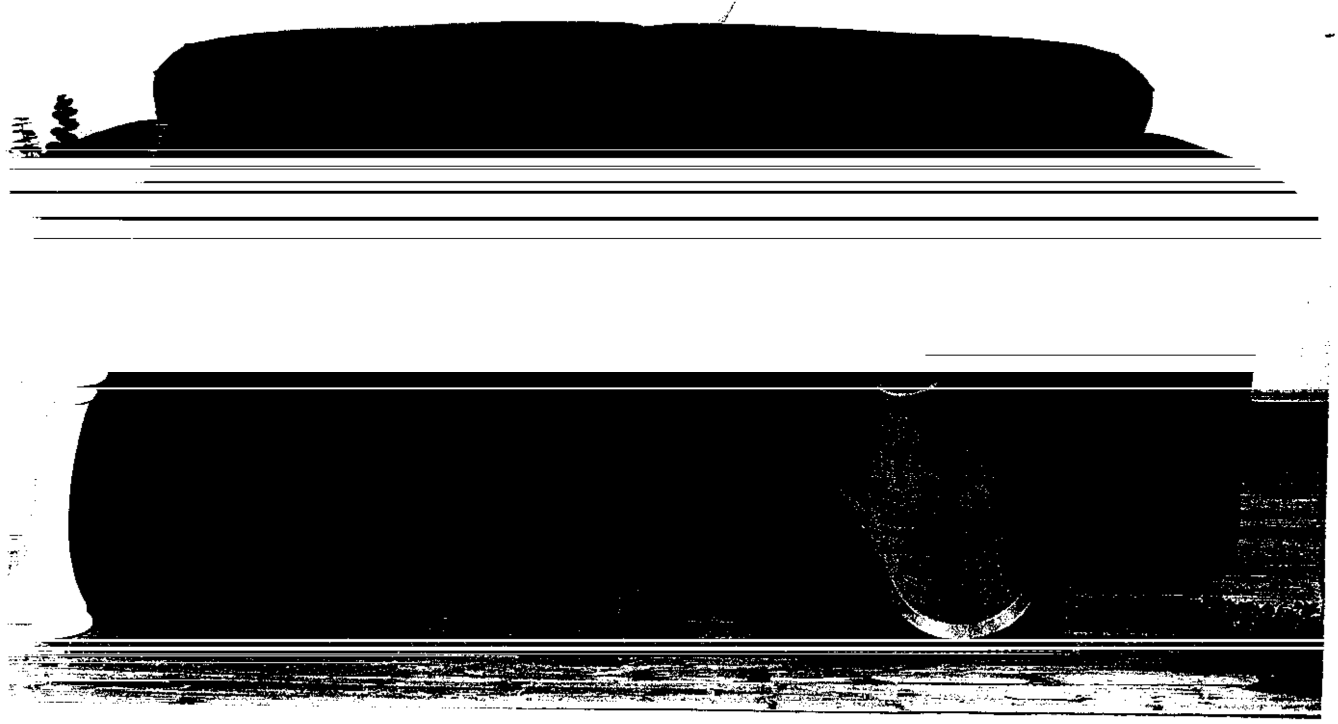
Aged 46, has wide experience with international "Blue Chip" textile companies and has overseen the reorganisation of our Northern Ireland thread operation. He joined the board in 1998.

CHAIRMAN'S STATEMENT

Over the last five years we have built our core Barbour Threads business into a leading position in industrial threads for non-clothing applications, and until this year successively increased the group's sales, profits and earnings. Our strategy within Barbour Threads has been to reduce our manufacturing costs in Europe and the U.S.A. and expand production in emerging markets to support the growth in these regions and secure a lower cost source of supply for existing markets.

We have continued with this strategy, and made good progress this year, but in common with most other manufacturers in textile related businesses, particularly those involved in exporting, our financial performance has been disappointing.

We warned last July that we were experiencing a decline in our major markets, and this continued throughout the year, resulting in a decline of 43% in earnings per share before exceptional costs to 14.2p. The action that we took in the first half improved the second half



performance of Barbour Threads, but in the absence of an improvement in economic conditions, it will take time for the benefits of our manufacturing strategy to recover the full extent of this decline.

Group turnover declined by 8% to £125 million, and operating margins before exceptional costs reduced from 9.0% of turnover to 6.2%.

Exceptional charges of £1.1 million include a re-statement of £639,000 from last year as required by FRS12 which primarily related to the closure of the Alan Paine knitwear plant during the year. The remaining £508,000 relates to cost cutting measures across all our businesses, where during the year we reduced employee numbers by 459.

A feature of this year was the higher than usual level of capital expenditure of £4.9 million which included new manufacturing facilities in Alabama, U.S.A., Northern Ireland and China for Barbour Threads. This expenditure contributed to the increase in net borrowings from £21.9 million to £24.8 million.

The board has declared a second interim dividend of 5.6 pence (net) per share and with the interim dividend of 2.7 pence (net) per share already paid, means the total for the year will be the same as last year at 8.3 pence (net) per share.

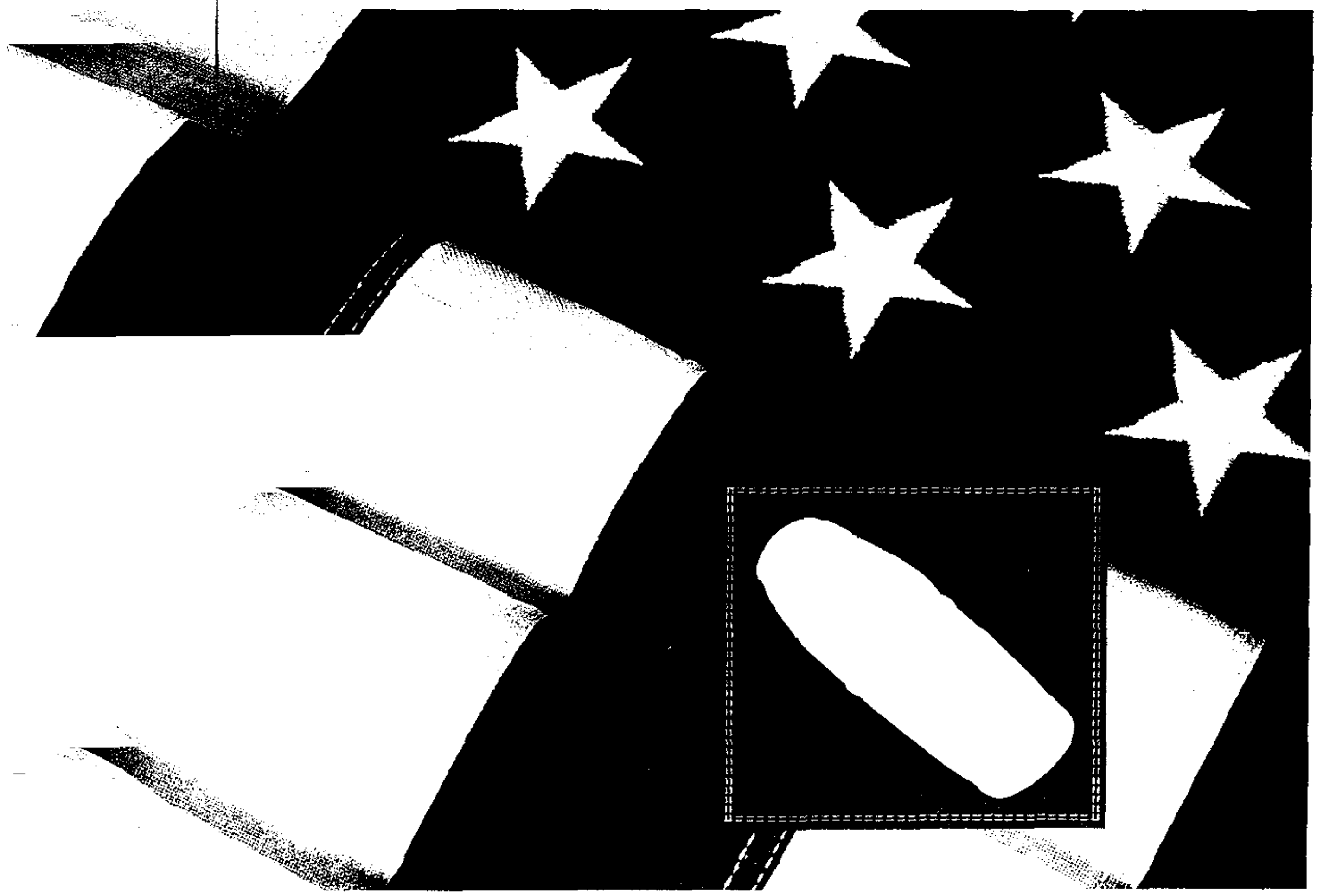
Barbour

BARBOUR THREADS

During this year we have invested in new facilities in the U.S.A., Northern Ireland, a new manufacturing subsidiary in China, and increased our manufacturing capacity in our Indian joint venture. This investment totalling £4.5 million is consistent with our objective of concentrating our manufacturing in fewer but more modern facilities within the more developed economies of the U.S.A.

and Europe, and increasing our presence overseas to support our sales operations in emerging markets where there are further opportunities for profitable growth.

In response to the very difficult trading conditions we reduced our headcount by 245 and closed our manufacturing unit in Germany. In the coming year we shall aim to reduce costs further by increasing the sourcing of products from our Indian joint venture; by producing at our wholly owned Chinese subsidiary in Guangzhou in Southern China; and by continuing with our plan to reduce our manufacturing sites in Europe concentrating production in our new facility in Northern Ireland. Manufacturing began in the new Northern Ireland facility in May and we aim to complete the move from our old inefficient multi-floor buildings during this Summer. In China we are training



employees at our new factory with the target of full production in the second half.

Other Businesses

Knitwear's sales and profits were adversely affected by the closure of the Alan Paine factory in South Wales, and excess costs experienced whilst the business was transferred to our Straven plant in Derbyshire. Overall we reduced the headcount by 198 in response to the reduction in business. These costs together with lower demand from UK retailers and the lack of competitiveness in Europe resulting from the strength of sterling resulted in turnover down 18% and operating margins reducing from 6.3% to 5.5% of sales.

Our smallest division, Industrial Products, continued to struggle against low demand and particularly intense competition in the water and gas industries resulting in our Roban business trading at a loss.

Outlook

Trading conditions in the U.K. and Europe are still slow, but order levels are showing some improvement in the U.S.A. and we are benefiting from the introduction of new products in the Far East. Overall we expect market conditions this year to remain challenging, but the cost saving measures already taken, and the completion of our new manufacturing units in Northern Ireland and China should yield benefits, particularly when the moves are completed in the second half.

Tudor G. Davies
Chairman

DIRECTORS' REPORT

The directors submit their annual report and audited accounts for the year ended 31 March 1999.

PRINCIPAL ACTIVITIES

The principal activities of the Group are carried out by its Barbour Threads, Knitwear and Industrial Products divisions. Further details are given in the Chairman's Statement.

The operating companies principally affecting the profit or assets of the Group in the year are listed in note 12 to the accounts.

BUSINESS REVIEW

The development of the Group's business during the financial year and its position at 31 March 1999 are dealt with in the Chairman's Statement.

RESULTS AND DIVIDENDS

The Group profit after tax for the year was £3,724,000. The Board has declared a second interim dividend per share of 5.6p to bring the total for the year to 8.3p. (1998: 8.3p) The second interim dividend will be paid on 30 July 1999. The total dividend for the year will cost £2,634,000.

DIRECTORS

The directors who served during the year and their beneficial interests in shares of the Company were:

	Ordinary shares of 50p each	
	31 March 1999 (or earlier date of resignation)	**31 March 1998** (or later date of appointment)
T G Davies (Chairman)	733,099	633,099
H M Grossart (resigned 30 July 1998)	5,000	5,000
C M Jones	41,400	36,400
N J Kershaw (appointed 1 September 1998)	-	-
S C M Little (resigned 29 July 1998)	6,470	6,470
J A McVicker (appointed 30 July 1998)	37,000	7,000
H D Whitlow (appointed 30 July 1998)	15,000	2,660

Mr H M Grossart was a director and significant shareholder of Petronius Ltd which held a further 50,000 shares at 30 July 1998 and 31 March 1998.

Details of directors' share options are set out in the Remuneration Committee Report on pages 36 and 37. There were no changes in directors' shareholdings or share options between 31 March 1999 and 4 June 1999. No director had an interest during the year in any significant contract of the Company or its subsidiaries. During the year the Company maintained directors' and officers' liability insurance.

RE-ELECTION

Mr N J Kershaw, Mr H D Whitlow and Mr J A McVicker having been appointed since the last Annual General meeting retire and, being eligible, offer themselves for 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 pages 36 and 37.

DIRECTORS' REPORT *(continued)*

MAJOR SHAREHOLDINGS

The Company was aware of the following holdings of 3 per cent or more in the issued capital of the Company at 15 July 1999.

	%
Prudential Portfolio Managers Limited	**16.7**
Mercury Asset Management Limited	**11.4**
Perpetual Investment Management Limited	**8.8**
Framlington Group plc	**5.7**
AMP Asset Management Limited	**3.8**
Martin Currie Investment Management Limited	**3.8**
Invesco Asset Management Limited	**3.3**
Industrial Development Board for Northern Ireland	**3.2**
Scottish Mutual Investment Management	**3.0**

ANNUAL GENERAL MEETING RESOLUTIONS

In addition to the Ordinary Business of the Annual General Meeting, shareholders will be asked to consider the following Special Business concerning the reappointment of the Company's auditors and the directors' authority to allot unissued shares and to repurchase 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 26 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 1998 Annual General Meeting.

The directors seek renewal of such authority until the 2000 Annual General Meeting and the Ordinary and Special Resolutions numbered 7 and 8 in the Notice of Annual General Meeting deal with such renewal. The amounts stated in the resolutions equal approximately 26 per cent and 5 per cent of the current issued share capital. The directors do not have any present intentions of using such authority except in respect of exercises of share options.

The Company seeks authority to purchase and cancel up to 3,173,879 ordinary shares of the Company, representing 10 per cent 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 per cent above the average of the middle market quotations for the Company's ordinary shares for the five 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 9 in the notice of meeting. The directors will only utilise this authority if satisfied that it is in the best long-term interests of shareholders.

DIRECTORS' REPORT *(continued)*

THE MILLENNIUM - YEAR 2000 COMPLIANCE

The Group is well advanced in assessing the business risks resulting from the Year 2000 issue and in implementing the necessary changes. Priority has been given to those systems which could cause a significant financial or legal impact on the Group's business if they were to fail.

The Year 2000 issue may create a risk from third parties with whom the Group deals on financial and business transactions world-wide. Consequently, the Group cannot be certain of avoiding business disruption in areas where it does not have a direct relationship.

No material additional costs are expected to be incurred in completing the Group's Year 2000 action plan.

EURO

The Group trades in most continental European countries and has undertaken the changes necessary to trade competitively in EMU member countries following the Euro's launch in January 1999. The Group will continue to monitor developments arising from EMU to maintain an effective response to the needs and opportunities of the single market.

PAYMENT TO SUPPLIERS

It is Company and Group policy to pay suppliers in accordance with the contractual terms agreed with them provided that the supplier is also complying with all the relevant terms and conditions. During the current and previous year the Company did not have any trade creditors. Average days credit taken by the Group to pay suppliers is 43 (1998: 50).

EMPLOYEE INVOLVEMENT

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

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

CHARITABLE AND POLITICAL DONATIONS

Charitable donations during the year amounted to £5,400 (1998: £5,600) 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 1999 and the date of this report.

AUDITORS

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998, following which Price Waterhouse resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors to fill the casual vacancy. A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

C M Jones
Secretary

4 June 1999

Group Profit and Loss Account for the Year Ended 31 March 1999

	Notes	1999 £'000	1998 Restated £'000
Turnover: Group and share of joint ventures		**127,910**	138,957
Less: share of joint ventures' turnover		**(2,896)**	(2,982)
Group turnover	2	**125,014**	135,975
Operating profit			
Operating profit before exceptional costs			
- Group companies		**7,497**	12,162
- Joint ventures		**417**	354
		7,914	12,516
Exceptional reorganisation costs	3	**1,147**	606
Operating profit	2, 4	**6,767**	11,910
Net interest payable			
- Group companies	5	**1,919**	2,217
- Joint ventures		**135**	162
		2,054	2,379
Profit before taxation	6	**4,713**	9,531
Taxation	8	**989**	2,127
Minority interest		**-**	(65)
Profit attributable to shareholders		**3,724**	7,469
Dividends	9	**2,634**	2,634
Retained profit	19	**1,090**	4,835
Earnings per share	10		
Basic		**11.7p**	23.5p
Before exceptional costs		**14.2p**	25.1p
Diluted earnings per share	10		
Basic		**11.3p**	23.2p
Before exceptional costs		**13.6p**	24.8p
Net dividends per share		**8.3p**	8.3p

The above results arose from continuing activities.

There is no material difference between the results above and those stated on a historical cost basis.

BALANCE SHEETS AS AT 31 MARCH 1999

	Notes	Group 1999 £'000	Group 1998 Restated £'000	Company 1999 £'000	Company 1998 £'000
Fixed assets					
Tangible assets	11	**35,227**	32,995	**1,155**	1,248
Investments in subsidiaries	12	**-**	-	**95,829**	88,893
Investments in joint ventures					
Share of gross assets		**2,603**	2,773	**-**	-
Share of gross liabilities		**(1,074)**	(1,669)	**-**	-
		1,529	1,104	**-**	-
		36,756	34,099	**96,984**	90,141
Current assets					
Stock	13	**31,740**	32,406	**-**	-
Debtors	14	**24,857**	25,827	**80**	738
Cash at bank and in hand		**8,520**	12,755	**5,335**	6,360
		65,117	70,988	**5,415**	7,098
Creditors: amounts falling due within one year					
Borrowings	15	**8,179**	7,457	**6,796**	6,173
Other	15	**21,010**	25,012	**3,924**	3,247
		29,189	32,469	**10,720**	9,420
Net current assets/(liabilities)		**35,928**	38,519	**(5,305)**	(2,322)
Total assets less current liabilities		**72,684**	72,618	**91,679**	87,819
Creditors: amounts falling due after more than one year					
Borrowings	16	**25,169**	27,221	**25,035**	26,910
Other	16	**3,625**	3,278	**13,029**	16,257
		28,794	30,499	**38,064**	43,167
Provisions for liabilities and charges					
Deferred taxation	17	**1,608**	1,091	**76**	73
		42,282	41,028	**53,539**	44,579
Equity					
Called up share capital	18	**15,869**	15,869	**15,869**	15,869
Share premium account	19	**8,397**	8,397	**8,397**	8,397
Capital reserve	19	**8,424**	8,424	**19,029**	19,029
Capital redemption reserve	19	**5**	5	**5**	5
Revaluation reserve	19	**453**	471	**-**	-
Profit and loss account	19	**9,134**	7,862	**10,239**	1,279
Equity shareholders' funds		**42,282**	41,028	**53,539**	44,579

Approved by the board of directors on 4 June 1999
On behalf of the board

C M Jones
Director

Group Cash Flow Statement For the Year ended 31 March 1999

	1999	1998 Restated
	£'000	£'000
Net cash inflow from operating activities	**8,150**	15,466
Returns on investing and servicing of finance		
Interest paid	**(1,893)**	(2,879)
Interest received	**690**	598
	(1,203)	(2,281)
Taxation paid	**(1,739)**	(990)
Capital expenditure and financial investment		
Capital expenditure	**(4,857)**	(3,805)
Sale of fixed assets	**242**	73
Grants received	**485**	31
Purchase of minority interest	**-**	(50)
Investment in joint venture	**-**	(348)
Net movement on loans to joint ventures	**(299)**	(141)
	(4,429)	(4,240)
Acquisitions		
Purchase of businesses	**-**	204
Equity dividends paid	**(2,634)**	(2,443)
Cash (outflow)/inflow before financing	**(1,855)**	5,716
Financing		
Shares issued	**-**	41
Own shares purchased and cancelled	**-**	(25)
Decrease in debt	**(2,570)**	(1,638)
Net cash outflow from financing	**(2,570)**	(1,622)
(Decrease)/increase in net cash	**(4,425)**	4,094

Notes to Group Cash Flow Statement for the Year ended 31 March 1999

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998 Restated
	£'000	£'000
Operating profit before exceptional costs	**7,914**	12,516
Exceptional costs	**(1,147)**	(606)
Depreciation less profit on disposal of fixed assets	**3,264**	3,295
Capital grant release	**(182)**	(182)
Share of operating profits of joint ventures	**(417)**	(354)
Stock decrease/(increase)	**1,352**	(666)
Debtors decrease	**715**	571
Creditors (decrease)/increase	**(3,349)**	892
Net cash inflow from operating activities	**8,150**	15,466

The cash outflow in respect of exceptional costs was £956,000 (1998: £1,296,000).

ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

	At 31 March 1998	Cash flow	Exchange Movement	**At 31 March 1999**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	12,755	(4,393)	158	**8,520**
Bank overdraft	(584)	(32)	(32)	**(648)**
	12,171	(4,425)	126	**7,872**
Debt due within one year	(6,859)	(473)	(196)	**(7,528)**
Debt due after one year	(27,217)	3,028	(979)	**(25,168)**
Finance leases and hire purchase	(18)	15	(1)	**(4)**
	(21,923)	(1,855)	(1,050)	**(24,828)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999	1998
	£'000	£'000
(Decrease)/increase in cash in the period	**(4,425)**	4,094
Cash flow from decrease in debt	**2,570**	1,638
Change in net debt resulting from cash flows	**(1,855)**	5,732
Foreign exchange adjustments	**(1,050)**	725
Movement in net debt during the period	**(2,905)**	6,457
Net debt at beginning of period	**(21,923)**	(28,380)
Net debt at end of period	**(24,828)**	(21,923)

Statement of Total Recognised Gains and Losses for the Year ended 31 March 1999

	Group 1999	Group 1998 Restated	Company 1999	Company 1998
	£'000	£'000	**£'000**	£'000
Profit attributable to shareholders as previously reported	**3,724**	6,830	**11,594**	2,200
Prior year adjustment (note 1)	**-**	639	**-**	-
Profit attributable to shareholders as restated	**3,724**	7,469	**11,594**	2,200
Foreign exchange adjustments offset in reserves	**308**	(1,044)	**-**	-
Tax on foreign exchange adjustments offset in reserves	**(144)**	94	**-**	-
Total recognised gains for the financial year	**3,888**	6,519	**11,594**	2,200

Reconciliation of Movements in Shareholders' Funds for the Year ended 31 March 1999

	Group 1999	Group 1998 Restated	Company 1999	Company 1998
	£'000	£'000	**£'000**	£'000
Opening equity shareholders' funds as previously reported	**40,848**	40,881	**44,579**	44,997
Prior year adjustment (note 1)	**180**	(459)	**-**	-
Opening equity shareholders' funds as restated	**41,028**	40,422	**44,579**	44,997
Total recognised gains and losses (as above)	**3,888**	6,519	**11,594**	2,200
Dividends	**(2,634)**	(2,634)	**(2,634)**	(2,634)
Goodwill	**-**	(3,295)	**-**	-
Shares issued	**-**	41	**-**	41
Shares repurchased and cancelled	**-**	(25)	**-**	(25)
	1,254	606	**8,960**	(418)
Closing equity shareholders' funds	**42,282**	41,028	**53,539**	44,579

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.

The Group has adopted Financial Reporting Standard 9: "Associates and Joint Ventures" which requires disclosure of the Group's share of the turnover, operating profit, interest, taxation and gross assets and liabilities of its joint ventures. The 1998 figures have been restated to provide comparatives for all these headings. There is no net effect on previously reported results or shareholders' funds.

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 joint ventures. The results of Barbour Bitrim Threads (Proprietary) Limited are derived from audited accounts to 31 December 1998 (the year end of the other joint venture partner) and unaudited accounts for the three months to 31 March 1999. Results for Barbour Vardhman Threads Limited are derived from audited accounts to 31 March 1999.

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.

Goodwill arising on acquisitions in previous accounting periods remains eliminated against reserves, in accordance with the transitional provisions of Financial Reporting Standard 10: "Goodwill and Intangible Assets" and will be charged in the profit and loss account on any subsequent disposal of the businesses involved.

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.

Interest

Interest payable is charged as incurred except where the borrowing finances tangible fixed assets in the course of construction. Such interest is capitalised, once planning permission has been obtained and a firm decision to proceed has been taken, until the asset is complete and income producing, and is then written off by way of depreciation of the relevant asset.

Grants

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

ACCOUNTING POLICIES *(continued)*

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 attributable production overheads.

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 (net of related tax) are taken to reserves. Other exchange gains and losses are dealt with in the profit and loss account. Profits and losses of overseas subsidiary and joint venture undertakings are translated into sterling at exchange rates ruling at the year end.

Pensions

The Group operates defined benefit pension schemes for certain of its employees. The schemes are funded by contributions partly from employees and partly from the Group at rates in accordance with the advice of independent actuaries following regular valuations. These costs are charged to the profit and loss account over the anticipated working lives of the pension scheme members currently in service.

The Group also contributes to both Group sponsored and personal defined contribution pension schemes. Contributions are charged to the profit and loss account as incurred.

Deferred taxation

Full provision for deferred tax is made for timing differences arising on the accounting for certain pension costs. Deferred tax 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 PRIOR YEAR ADJUSTMENT

In implementing Financial Reporting Standard 12: "Provisions, Contingent Liabilities and Contingent Assets" ("FRS 12"), comparative figures for the year ended 31 March 1998 have been adjusted as follows:

	Profit attributable to shareholders	**Shareholders' funds**
	£'000	**£'000**
As previously reported	6,830	40,848
Effect of the change in basis of recognition of exceptional reorganisation costs	639	639
Effect of recognition of onerous lease obligations	-	(459)
As restated	**7,469**	**41,028**

Within exceptional reorganisation costs charged in 1998 of £1,245,000 were amounts totalling £639,000 that did not meet the recognition criteria in FRS 12. Consequently this amount has been released as a prior year adjustment and been re-recognised in 1999.

The impact of the recognition of onerous lease obligations as at 31 March 1997 was to reduce net assets by £459,000.

2 TURNOVER, OPERATING PROFIT AND CAPITAL EMPLOYED

	Turnover		**Operating profit**		**Capital employed**	
	1999	1998 Restated	**1999**	1998 Restated	**1999**	1998 Restated
By division:	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Barbour Threads	**90,817**	96,680	**6,923**	10,312	**59,109**	54,491
Knitwear	**19,653**	24,113	**1,090**	1,519	**6,204**	7,567
Industrial Products	**17,440**	18,164	**(99)**	685	**6,065**	5,575
	127,910	138,957	**7,914**	12,516	**71,378**	67,633
Exceptional reorganisation costs			**1,147**	606		
Operating profit			**6,767**	11,910		
Net debt					**(24,828)**	(21,923)
Dividends and taxation					**(4,621)**	(5,223)
Unallocated net assets					**353**	541
Shareholders' funds					**42,282**	41,028

2 TURNOVER, OPERATING PROFIT AND CAPITAL EMPLOYED *(continued)*

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

Turnover by destination	**1999**	1998 Restated	**Turnover by origin**	**1999**	1998 Restated
	£'000	£'000		**£'000**	£'000
United Kingdom	**31,868**	36,125	United Kingdom	**62,182**	70,380
Rest of Europe	**17,225**	19,265	Rest of Europe	**8,103**	8,265
Rest of World	**78,817**	83,567	Rest of World	**57,625**	60,312
	127,910	138,957		**127,910**	138,957

3 EXCEPTIONAL REORGANISATION COSTS

Exceptional reorganisation costs incurred in the year principally comprise employee severance payments and asset write-downs incurred in connection with the rationalisation of production capacity in the Barbour Threads and Knitwear divisions. The total charge, which has been restated as explained in note 1, is analysed by division as follows:

	1999	1998 Restated
	£'000	£'000
Barbour Threads	**597**	606
Knitwear	**550**	-
	1,147	606

4 ANALYSIS OF OPERATING PROFIT

	1999	1998 Restated
	£'000	£'000
Group turnover	**125,014**	135,975
Cost of sales	**97,838**	101,994
Distribution costs	**10,032**	10,499
Administrative expenses	**10,794**	11,926
Share of joint ventures' operating profit	**417**	354
Operating profit	**6,767**	11,910

Exceptional reorganisation costs of £842,000 (1998: £431,000) are included within cost of sales and £305,000 (1998: £175,000) within administrative expenses.

NOTES TO THE ACCOUNTS *(continued)*

5 NET INTEREST PAYABLE	1999	1998
	£'000	£'000
Bank loans and overdrafts	**2,685**	2,924
Interest receivable	**(602)**	(707)
	2,083	2,217
Interest capitalised (note 11)	**(164)**	-
	1,919	2,217

Interest payable by joint ventures was incurred on bank and other borrowings.

6 PROFIT BEFORE TAXATION	1999	1998
Profit before taxation is stated after charging/(crediting):	**£'000**	£'000
Depreciation - owned assets	**3,359**	3,192
- finance leases and hire purchase	**14**	119
Profit on disposal of fixed assets	**(109)**	(16)
Operating leases - plant and machinery	**408**	420
- other	**936**	795
Audit fees	**140**	120
Capital grant release	**(182)**	(182)

The audit fee in respect of the Company only was £15,000 (1998: £15,000). Non-audit fees paid to PricewaterhouseCoopers during the year amounted to £29,000 (1998: £11,000). Directors' remuneration disclosures are contained within the Remuneration Committee Report on pages 36 and 37.

7 EMPLOYEES	1999	1998
Average number of persons employed:	**Number**	Number
Barbour Threads	**1,723**	1,927
Knitwear	**597**	732
Industrial Products	**218**	222
	2,538	2,881

	1999	1998
Staff costs during the year:	**£'000**	£'000
Wages and salaries	**36,521**	37,310
Social security costs	**3,660**	3,787
Other pension costs	**1,097**	1,217
	41,278	42,314

NOTES TO THE ACCOUNTS *(continued)*

8 TAXATION	1999	1998
	£'000	£'000
UK:		
Corporation tax 31 % (1998: 31%)	**41**	968
Deferred tax	**33**	(31)
Advance corporation tax written off	**640**	-
	714	937
(Over)/under provision in prior years:		
Current taxation	**(596)**	(177)
Deferred tax	**119**	82
	(477)	(95)
Overseas:		
Tax payable (including withholding taxes)	**374**	946
Deferred tax	**345**	289
Joint ventures	**33**	50
	752	1,285
	989	2,127

9 DIVIDENDS	1999	1998	1999	1998
	Per share	Per share	**£'000**	£'000
Interim paid	**2.7p**	2.7p	**857**	857
Second interim declared	**5.6p**	-	**1,777**	-
Final paid	-	5.6p	-	1,777
	8.3p	8.3p	**2,634**	2,634

10 EARNINGS PER SHARE	1999	1998 Restated
	£'000	£'000
Earnings for basic and diluted earnings per share	**3,724**	7,469
Exceptional costs	**1,147**	606
Taxation effects	**(356)**	(98)
Earnings for pre-exceptional earnings per share	**4,515**	7,977
	Millions	Millions
Weighted average number of shares - basic	**31.74**	31.73
Adjustment to reflect shares under option in the year	**1.36**	0.48
Weighted average number of shares - diluted basis	**33.10**	32.21

The disclosure of pre-exceptional earnings per share is provided to assist in the assessment of the Group's underlying performance.

11 TANGIBLE FIXED ASSETS

GROUP	Land and buildings			
		Long	Plant and	
	Freehold	leasehold	equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 March 1998	16,681	51	36,811	53,543
Foreign exchange adjustments	390	1	658	1,049
Additions	2,150	99	2,608	4,857
Disposals	(155)	(22)	(757)	(934)
At 31 March 1999	**19,066**	**129**	**39,320**	**58,515**
1989 valuation	1,486	-	-	1,486
Cost	17,580	129	39,320	57,029
Depreciation				
At 31 March 1998	1,067	35	19,446	20,548
Foreign exchange adjustments	11	1	156	168
Charge for the year	339	11	3,023	3,373
Released on disposals	(93)	(8)	(700)	(801)
At 31 March 1999	**1,324**	**39**	**21,925**	**23,288**
Net book amount				
At 31 March 1999	**17,742**	**90**	**17,395**	**35,227**
At 31 March 1998	15,614	16	17,365	32,995

On a historical cost basis, freehold land and buildings would be included at a net book amount of £16,883,000 (1998: £15,143,000). Depreciation is not provided on freehold land with a valuation of £4,736,000 (1998: £4,843,000).

Assets held on hire purchase agreements and finance leases are included in plant and equipment at a cost of £126,000 (1998: £1,314,000) with accumulated depreciation of £86,000 (1998: £992,000).

Included within freehold additions is interest capitalised amounting to £164,000 in respect of the financing of two new production facilities.

Certain of the Group's properties were revalued by Messrs John E Mitchell & Sons and Messrs Connell Hallam Brackett in 1989 on the basis of open market value for existing use.

11 TANGIBLE FIXED ASSETS *(continued)*

COMPANY	Freehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 31 March 1998	1,566	126	1,692
Additions	-	21	21
Disposals	(155)	-	(155)
At 31 March 1999	**1,411**	**147**	**1,558**
Depreciation			
At 31 March 1998	348	96	444
Charge for the year	28	24	52
Released on disposals	(93)	-	(93)
At 31 March 1999	**283**	**120**	**403**
Net book amount			
At 31 March 1999	**1,128**	**27**	**1,155**
At 31 March 1998	1,218	30	1,248

Depreciation is not provided on freehold land with a cost of £728,000 (1998: £878,000).
The Company holds no assets under hire purchase or finance lease agreements.

12 INVESTMENTS

GROUP - JOINT VENTURES	Shares	Loans	Total
	£'000	£'000	£'000
At 31 March 1998	726	378	1,104
Foreign exchange adjustments	(62)	(61)	(123)
Net movement on loans	-	299	299
Share of profit before taxation	282	-	282
Share of taxation charge	(33)	-	(33)
At 31 March 1999	**913**	**616**	**1,529**

During the current year no dividends were received from the joint ventures (1998: £nil). At 31 March 1999 the combined capital and reserves of the joint ventures was £1,116,000.

COMPANY - SUBSIDIARY UNDERTAKINGS	Shares	Loans	Total
	£'000	£'000	£'000
At 31 March 1998	17,026	71,867	88,893
Foreign exchange adjustments	-	1,622	1,622
Net transfers with other group undertakings	(1)	10,944	10,943
Repayments	-	(2,930)	(2,930)
Movement on provisions	(2,166)	(533)	(2,699)
At 31 March 1999	**14,859**	**80,970**	**95,829**

The cumulative amount provided against the cost of shares in subsidiaries is £8,544,000 (1998: £6,378,000) and against loans to subsidiaries is £3,255,000 (1998: £2,722,000).

12 INVESTMENTS *(continued)*

The main subsidiary undertakings are listed below.

	Country of operation	Effective % of issued share capital held
Barbour Threads		
Barbour Threads Limited *	Northern Ireland	100%
Barbour Campbell Industria Filati S.p.A. *	Italy	100%
Barbour Threads Limited *	Ireland	100%
Barbour Threads B.V. *	Holland	100%
Barbour Threads Proprietary Limited *	Australia	100%
Barbour Threads Limited *	Hong Kong	100%
Barbour Threads, Inc. *	U.S.A.	100%
B Hoogen Vertriebs GmbH *	Germany	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	100%
Industrial Products		
Nicholson Plastics Limited	Scotland	100%
Dewey Waters Limited	England	100%
Forgemasters PLC	Wales	100%
Barbour Campbell Textiles Limited	Wales	100%
Roban Ductile Welding Limited	England	100%
Joint Ventures		
Barbour Bitrim Threads (Proprietary) Limited *	South Africa	50%
Barbour Vardhman Threads Limited *	India	50%

** shareholding held by a subsidiary undertaking.*

The country of incorporation is the same as the country of operation except for Barbour Threads Limited (Northern Ireland) and Barbour Campbell Textiles Limited, both incorporated in Scotland, and The British Textile Manufacturing Company Limited which is incorporated in England. Both joint venture companies are part of the Barbour Threads division.

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 1999 Annual Return.

13 STOCK

	Group 1999	Group 1998
	£'000	£'000
Raw materials	**4,745**	4,868
Work in progress	**8,644**	9,294
Finished goods	**18,351**	18,244
	31,740	32,406

14 DEBTORS

	Group 1999	Group 1998	Company 1999	Company 1998
	£'000	£'000	**£'000**	£'000
Trade debtors	**21,748**	22,181	**-**	-
Advance corporation tax	**-**	795	**-**	540
Due from joint ventures	**19**	137	**-**	-
Due from group undertakings	**-**	-	**62**	189
Other debtors	**719**	911	**18**	9
Prepayments and accrued income	**2,371**	1,803	**-**	-
	24,857	25,827	**80**	738

The pension fund prepayment of £1,576,000 (1998: £1,229,000) and advance corporation tax of £nil (1998: £444,000) fall due after more than one year.

15 CREDITORS: amounts falling due within one year

	Group 1999	Group 1998 Restated	Company 1999	Company 1998
	£'000	£'000	**£'000**	£'000
Bank overdraft	**648**	584	**-**	-
Bank and other loans (notes 16 and 20)	**7,370**	6,665	**6,796**	6,159
Loan notes	**158**	194	**-**	14
Finance leases and hire purchase	**3**	14	**-**	-
Borrowings	**8,179**	7,457	**6,796**	6,173
Trade creditors	**8,965**	11,216	-	-
Corporation tax	**1,235**	3,149	**1,009**	765
Proposed dividend	**1,777**	1,777	**1,777**	1,777
Other taxation and social security	**1,172**	1,433	**21**	20
Other creditors	**1,820**	1,594	**52**	87
Accruals and deferred income	**6,041**	5,843	**1,065**	598
Other	**21,010**	25,012	**3,924**	3,247
	29,189	32,469	**10,720**	9,420

16 CREDITORS: amounts falling due after more than one year

	Group 1999	Group 1998 Restated	Company 1999	Company 1998
	£'000	£'000	**£'000**	£'000
Bank and other loans (note 20)	**25,168**	27,059	**25,035**	26,910
Loan notes	**-**	158	**-**	-
Finance leases and hire purchase	**1**	4	**-**	-
Borrowings	**25,169**	27,221	**25,035**	26,910
Due to group undertakings	**-**	-	**13,029**	16,257
Accruals and deferred income	**3,625**	3,278	**-**	-
Other	**3,625**	3,278	**13,029**	16,257
	28,794	30,499	**38,064**	43,167

Borrowings, some of which are repayable by instalments, others by a single repayment at the end of their term, comprise:

	Group 1999	Group 1998	Company 1999	Company 1998
Due between 1 and 2 years	**5,945**	3,010	**5,870**	2,777
Due between 2 and 5 years	**15,345**	19,107	**15,286**	19,050
Due beyond 5 years	**3,879**	5,104	**3,879**	5,083
	25,169	27,221	**25,035**	26,910

There is no amount due beyond 5 years which is repayable otherwise than by instalments.

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 1999 the limit was £85 million (1998: £82 million).

17 DEFERRED TAXATION

	Group	Company
The movement on the deferred taxation provision is as follows:	**£'000**	**£'000**
At 31 March 1998	1,091	73
Foreign exchange adjustments	20	-
Charge for the year	497	3
At 31 March 1999	**1,608**	**76**

The deferred taxation provision comprises:

GROUP	Amounts provided 1999	Amounts provided 1998	Total potential liability 1999	Total potential liability 1998
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	**1,333**	871	**1,375**	913
Timing difference on pension fund prepayment	**488**	381	**488**	381
Short term timing differences	**(213)**	(161)	**(213)**	(161)
	1,608	1,091	**1,650**	1,133

Properties are not held for the purpose of resale. The potential deferred tax effect of disposal at their revalued amounts has not been recognised. Deferred tax is not provided in respect of liabilities which might arise on the distribution of unappropriated profits of overseas subsidiary undertakings and joint ventures.

17 DEFERRED TAXATION *(continued)*

COMPANY	**Amount provided and total potential liability 1999**	1998
	£'000	£'000
Accelerated capital allowances	**78**	74
Short term timing differences	**(2)**	(1)
	76	73

18 CALLED UP SHARE CAPITAL	**Authorised 1999**	1998	**Allotted and fully paid 1999**	1998
	£'000	£'000	**£'000**	£'000
Ordinary shares of 50p each	**20,000**	20,000	**15,869**	15,869

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

The Company currently has authority to purchase up to 10% of its own shares, such authority expires at the next Annual General Meeting.

Hicking Pentecost PLC Share Option Scheme

On 25 August 1998 unapproved options over 658,806 shares at 268p were surrendered.

At 31 March 1999 options outstanding under the Hicking Pentecost PLC Share Option Scheme were as follows:

Year of grant	**Status**	**Exercisable between**	**Option price**	**No. of shares**
1992	Approved	14 July 1995 – 14 July 2002	138.52p*	10,251
1993	Approved	19 July 1996 – 19 July 2003	181.44p*	34,856
1994	Approved	1 August 1997 – 1 August 2004	229.33p*	27,232
1998	Unapproved	8 January 2001 – 8 January 2008	268.00p	103,000
				175,339

* *The option prices have been recalculated in accordance with the rules of the Hicking Pentecost PLC Share Option Scheme and in agreement with the Inland Revenue following the placings and open offers of shares during 1994 and 1997.*

Hicking Pentecost PLC 1998 Share Option Scheme

On 26 August 1998 unapproved options over 1,407,000 shares were issued under the Hicking Pentecost PLC 1998 Share Option Scheme. At 31 March 1999 unapproved options issued and outstanding under the Hicking Pentecost PLC 1998 Share Option Scheme were as follows:

Year of grant	**Exercisable between**	**Option price**	**No. of shares**
1998	26 August 2001 – 26 August 2008	103p	**1,407,000**

NOTES TO THE ACCOUNTS *(continued)*

19 RESERVES

GROUP	**Revaluation reserve**	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Profit and loss account** Restated
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 31 March 1998 as previously reported	471	8,397	5	8,424	7,682
Prior year adjustment (note 1)	-	-	-	-	180
At 31 March 1998 as restated	471	8,397	5	8,424	7,862
Profit for the year	-	-	-	-	1,090
Amortisation of revaluation reserve	(18)	-	-	-	18
Foreign exchange adjustments	-	-	-	-	308
Tax on foreign exchange adjustments	-	-	-	-	(144)
At 31 March 1999	**453**	**8,397**	**5**	**8,424**	**9,134**

COMPANY	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Profit and loss account**
	£'000	**£'000**	**£'000**	**£'000**
At 31 March 1998	8,397	5	19,029	1,279
Profit for the year	-	-	-	8,960
At 31 March 1999	**8,397**	**5**	**19,029**	**10,239**

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 attributable to shareholders dealt with in the accounts of the holding company is £11,594,000 (1998: £2,200,000).

The cumulative amount of goodwill written off to the capital reserve and the profit and loss account in respect of acquisitions at 31 March 1999 was £22,485,000 (1998: £22,485,000).

20 FINANCIAL INSTRUMENTS

The Group's Barbour Threads division includes a number of overseas manufacturing and distribution operations, the largest of which are based in the United States, Italy and the Far East. Both this division and our Knitwear division export products to worldwide from the United Kingdom. The Industrial Products division has limited export sales.

The Group's operations are funded by a combination of shareholders' funds and bank borrowings. Larger acquisitions have been funded by a combination of additional equity and medium term bank debt.

The Group's financial instruments, other than derivatives, comprise borrowings and cash at bank and in hand. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivatives transactions (principally interest rate swaps and forward foreign currency contracts). The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and market price risk. The Group's policies for managing each of these risks are summarised below. These policies have remained unchanged since 1 April 1998.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in its desired currencies at both fixed and floating rates of interest and uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep in excess of 50 per cent of its borrowings at fixed rates of interest. At the year end, 55 per cent of the Group's borrowings were at fixed rates after taking into account interest rate swaps.

Liquidity risk

To ensure continuity of funding at least 50 per cent of the Group's borrowings should mature in more than two years. At the year end, 70 per cent of the Group's borrowings were due to mature in more than two years. In addition the Group's policy is to maintain significant committed undrawn facilities which at 31 March 1999 amounted to £12.6 million analysed as follows:

	£'000
Unutilised committed facilities - expiring in one year or less	8,475
- expiring in more than two years	4,116
	12,591

Since the balance sheet date unutilised committed facilities expiring in less than one year amounting to £8 million have been agreed for a further 12 months.

Short term flexibility is achieved by overdraft facilities in the United Kingdom and equivalent facilities overseas.

Foreign currency risk

The Group's largest overseas subsidiary is in the United States and its revenues and expenses are denominated almost exclusively in US dollars. In order to protect the Group's Sterling balance sheet from the movements in the US dollar/Sterling exchange rate, the Group finances a significant proportion of its net investment in this subsidiary by means of US dollar borrowings.

Similar practices apply on a smaller scale to the Group's Italian and Australian operations.

The Group's UK businesses make significant sales to customers in Continental Europe and the Far East. These sales are mostly invoiced in the currencies of the customers involved or in US dollars. The Group's policy is to match a significant proportion of currency exposures on sales through a combination of raw material purchases in US dollars and other European currencies and also through forward currency contracts.

20 FINANCIAL INSTRUMENTS *(continued)*

Market price risk

The Group's exposure to market price risk comprises interest rate and currency risk exposures. The Group's policy towards currency risk is to eliminate material exposures that will impact on reported profit. The Group's policy is to accept a degree of interest rate risk.

Financial assets

The currency profile of the Groups' financial assets at 31 March 1999, which comprise cash at bank and in hand and which attract interest at floating rates only, was:

	1999 £'000
US dollar	4,957
Sterling	2,415
Euro currencies	766
Other currencies	382
	8,520

Financial liabilities

After taking into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's financial liabilities at 31 March 1999 was:

Currency	**Total**	**Floating rate financial liabilities**	**Fixed rate financial liabilities**
	£'000	**£'000**	**£'000**
US dollar	30,978	13,665	17,313
Italian Lire	1,079	1,079	-
Sterling	1,015	-	1,015
Australian dollar	276	276	-
Total	**33,348**	**15,020**	**18,328**

Fixed rate financial liabilities

Currency	**Weighted average interest rate**	**Weighted average period for which rate is fixed**
	%	**Years**
US dollar	7.01	3.90
Sterling	7.78	0.58
Total	**7.06**	**3.71**

The floating rate financial liabilities comprise US dollar denominated bank borrowings that bear interest at rates based on US$ LIBOR.

20 FINANCIAL INSTRUMENTS *(continued)*

Currency exposures
As at 31 March 1999, after taking into account the effects of forward foreign exchange contracts, the Group's currency exposures arising from trade debtors and creditors which are not denominated in the functional currency of the relevant business unit are as follows:

	Functional currency of business unit		
	Total £'000	**Hong Kong $ £'000**	**Sterling £'000**
US dollar	1,416	1,817	(401)
Euro currencies	484	-	484
Sterling	155	155	-
Other currencies	(87)	-	(87)
	1,968	**1,972**	**(4)**

Fair values of financial assets and financial liabilities
Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 March 1999.

Primary financial instruments held or issued to finance the Group's operations:	**Book value**	**Fair value**
	£'000	**£'000**
Short term financial liabilities and current portion of long term borrowings	(8,179)	(8,179)
Long term borrowings	(25,169)	(25,169)
Financial assets	8,520	8,520

Derivative financial instruments held to manage the interest rate and currency profile:	**Book value**	**Fair value**
	£'000	**£'000**
Interest rate swaps	-	(337)
Forward foreign currency contracts	-	(6)

The fair values of the interest rate swaps and forward foreign currency contracts have been determined by reference to prices available from the markets on which the instruments involved are traded.

Gains and losses on hedges
Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains	**Losses**	**Net losses**
	£'000	**£'000**	**£'000**
Unrecognised gains/(losses) on hedges at 1 April 1998	-	(715)	(715)
Losses arising in previous years recognised in 98/99	-	(499)	(499)
Losses arising in previous years not recognised in 98/99	-	(216)	(216)
Gains/(losses) arising in 98/99 not recognised in 98/99	9	(136)	(127)
Unrecognised gains/(losses) on hedges at 31 March 1999	**9**	**(352)**	**(343)**
Of which:			
Gains/(losses) expected to be recognised 99/00	9	(15)	(6)
Losses expected to be recognised 00/01 or later	-	(337)	(337)

21 COMMITMENTS

	Group		Company	
	1999	1998	**1999**	1998
Capital commitments	**£'000**	£'000	**£'000**	£'000
Contracted for but not provided	**1,367**	1,824	**34**	20

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

	Land and buildings		Plant and equipment	
	1999	1998	**1999**	1998
Leases expiring:	**£'000**	£'000	**£'000**	£'000
Within 1 year	**191**	219	**57**	153
Between 1 & 5 years	**480**	401	**206**	276
In over 5 years	**248**	248	**-**	-
	919	868	**263**	429

22 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 independent 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 as at 6 April 1997. It showed that the market value of the scheme's assets was £19.9 million and that the actuarial value of those assets represented 96% of the benefits that had accrued to members after allowing for expected future increases in earnings. Accordingly the shortfall is being spread over employees' working lives with the Group.

The principal actuarial assumptions used were:	**Per annum**
Return on investments	8%
Earnings increases	6%
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 the return on investments will be 8.5% per annum.

	1999	1998
Pension costs for the year in respect of the scheme were:	**£'000**	£'000
Regular cost	**335**	484
Variation charge	**181**	181
Interest on prepayment	**(115)**	(108)
	401	557

The cost of other defined benefit arrangements was £224,000 (1998: £139,000). Additionally the Group made payments to defined contribution schemes amounting to £472,000 (1998: £521,000).

23 RELATED PARTY TRANSACTIONS

During the year the Group had the following material arrangements with related parties as defined by Financial Reporting Standard 8: "Related Party Disclosures":

No director or any key management had any material interest in any contracts with Group companies at the end of or at any time during the year.

In the course of normal operations, the Group has contracted on an arms length basis with its joint ventures. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are £115,000 (1998: £206,000) in respect of the sale of goods to, and £427,000 (1998: £414,000) in respect of the purchase of goods from, the joint ventures.

The Group makes contributions to the Group's own pension scheme and is also responsible for the collection of employee contributions for this scheme. At 31 March 1999 the aggregated employee and employer contributions outstanding to the pension scheme totalled £57,000 (1998: £63,000) representing contributions for the month of March 1999. These amounts were paid to the pension scheme in April 1999.

24 CONTINGENT LIABILITIES

The Group has a contingent liability of £401,000 at 31 March 1999 (1998: £474,000) in respect of guarantees given to support borrowings of a joint venture, Barbour Bitrim Threads (Proprietary) Limited.

The Company has a contingent liability of £906,000 at 31 March 1999 (1998: £911,000) in respect of guarantees given to support borrowings of certain subsidiary undertakings.

The Group receives revenue and capital grants from government bodies in respect of its Barbour Threads and Knitwear divisions. The relevant letters of offer include employment targets which if not met may result in claims for repayment for part or all of the above grants.

Corporate Governance

In June 1998 the London Stock Exchange issued a new rule requiring listed companies to make statements on the Combined Code of Corporate Governance. The Combined Code contains 14 principles of good governance applicable to listed companies and the paragraphs below, together with the Remuneration Committee Report on pages 36 and 37 disclose how these principles are applied within the Group.

Corporate Governance Principles
The Board considers that good governance is central to achieving the Group's governing objective of maximising shareholder value. That has been uppermost in directors' minds when applying the governance principles contained in the code annexed to the London Stock Exchange's listing rules.

The information on page 3 shows that the Group is led and controlled by a Board comprising directors with wide business experience. The appointment of directors is considered by the Board and, following the provisions in the articles of association, only the Chairman has served for more than three years without having been re-elected by shareholders.

The Board meets regularly and each year the directors review corporate strategy and the operations and results of the business units in the Group. The roles of the Chairman, the Chief Executive and the Board and its governance arrangements are reviewed annually.

The Board has audit and remuneration committees. All directors are members of the audit committee and Mr Davies and Mr Kershaw are the members of the remuneration committee. As the sole non-executive director is Mr N J Kershaw neither committee has sufficient non-executive directors to comply with the Combined Code. The Board believes the structure of the committee is appropriate for the size and scope of the Group's businesses.

The Chairman and the Finance Director have meetings with representatives of major institutional shareholders following the announcement of annual and interim results. All shareholders are encouraged to participate in the Company's Annual General Meeting.

Compliance with the Code
The directors believe that the Company complies with the provisions of the Code and that it has complied throughout the year with the provisions where the requirements are of a continuing nature, except as disclosed above and in relation to Code provision B.1.7 on directors' service agreements. This is discussed further in the Remuneration Committee Report on pages 36 and 37.

The code requirements on internal control have been met as indicated in the statement below which follows guidance given by the London Stock Exchange in December 1998.

Directors' responsibilities
The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and of the profit or loss for the year. Following discussions with the auditors, the directors consider that in preparing the accounts on pages 11 to 33, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE *(continued)*

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 1999. 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.

Management 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 and statutory requirements 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

A The Remuneration Committee
The Remuneration Committee consists of the Chairman and the non-executive director Mr N J Kershaw, and subject only to this, the Company is in compliance with Section A of the best practice provisions annexed to the London 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 Remuneration Committee, and the Chairman and non-executive director's remuneration by the board as a whole.

B 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 London Stock Exchange Listing Rules. For the year to 31 March 2000 a bonus scheme for the executive directors linked to growth in earnings per share and capped at two-thirds of basic salary will apply.

C Directors' Remuneration
Details of directors' remuneration for 1999 and 1998 are set out below:

Director	Basic salary	Benefits in kind	Performance related pay	**Total 1999**	Total 1998	**Pensions 1999**	Pensions 1998
	£'000	£'000	£'000	**£'000**	£'000	**£'000**	£'000
H M Grossart	9	-	-	**9**	28	**-**	-
T G Davies	123	12	2	**137**	167	**25**	31
C M Jones	93	7	2	**102**	122	**19**	23
N J Kershaw	12	-	-	**12**	-	**-**	-
S C M Little	52	7	2	**61**	108	**11**	19
J A McVicker	53	10	-	**63**	-	**7**	-
H D Whitlow	103	5	33	**141**	-	**56**	-
	445	41	39	**525**	425	**118**	73

Benefits in kind principally relate to the provision of a company car and private medical cover. Mr H D Whitlow received a bonus in recognition of his contribution to the restructuring of the Barbour Threads US operation. Additionally all UK based executive directors were members of Inland Revenue approved Profit Related Pay schemes. Pension contributions are based on remuneration excluding benefits in kind.

Total remuneration is made up of the following elements:	**1999**	1998
	£'000	£'000
Aggregate emoluments	**525**	425
Company pension contributions to money purchase schemes	**57**	73
Charge in respect of defined benefit schemes	**61**	-

The highest paid director received total emoluments of £141,000 (1998: £167,000).

REMUNERATION COMMITTEE REPORT *(continued)*

D Pensions
Retirement benefits are accruing to four directors under separate money purchase pension schemes.

One Uk based director is a member of the Company's own defined benefit scheme, the status of which is discussed in note 22. The US based director is a member of a Supplemental Executive Retirement Plan ("SERP"), which is also a defined benefit scheme. The main actuarial assumptions in respect of the SERP are that return on investments will be 7% pa and that salary increases will be 3% pa. As at 31 March 1999 the scheme was fully funded.

No pension contributions were made on behalf of Mr H M Grossart or Mr N J Kershaw.

E Share Options
11,194 approved share options were granted to an executive director on 1 August 1998. No approved share options were exercised by the executive directors during the year. All approved share options held by executive directors were surrendered on 25 August 1998.

The movements on unapproved share options granted to the executive directors during the year were as follows:

Director	Number of options As at 1.4.98 (or later date of appointment)	Surrendered	Granted	As at 31.3.99	Exercise Price	Date first exercisable	Expiry Date
T G Davies	202,000	(202,000)	-	-	268p	8.1.2001	8.1.2008
	-	-	400,000	400,000	103p	26.8.2001	26.8.2008
C M Jones	118,000	(118,000)	-	-	268p	8.1.2001	8.1.2008
	-	-	300,000	300,000	103p	26.8.2001	26.8.2008
J A McVicker	88,806	(88,806)	-	-	268p	1.8.2001	8.1.2008
	-	-	150,000	150,000	103p	26.8.2001	26.8.2008
H D Whitlow	250,000	(250,000)	-	-	268p	1.8.2001	1.8.2008
	-	-	400,000	400,000	103p	26.8.2001	26.8.2008

The market price of Hicking Pentecost PLC ordinary shares at 31 March 1999 was 101.5p (31 March 1998: 251.5p) and the range during the year was 75p to 247p.

F Service Contracts
The service contracts of Messrs Davies and Jones have an unexpired period of twenty four months. 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 J A McVicker does not have a service contract with the Company. He has a contract of employment with his employing company, Barbour Threads Limited, which provides for a notice period of 6 months. Mr H D Whitlow has neither a service contract with the Company nor a contract of employment with his employing company Barbour Threads Inc., consequently he has no formal notice period. The Company is taking appropriate steps to regularise the situation in respect of Messrs McVicker and Whitlow.

Mr N J Kershaw has no service contract with the Company. His services were provided by Hawkhurst Management Services Limited, a company wholly-owned by his family interests.

Mr H M Grossart had no service contract with the Company. His services were provided by Petronius Limited, a company wholly-owned by him and his family interests.

T G Davies
Chairman of the Remuneration Committee.

AUDITORS' REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS OF HICKING PENTECOST PLC
We have audited the accounts on pages 11 to 33 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. The accounts include sections C to E of the Remuneration Committee Report on pages 36 to 37.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
The directors are responsible for preparing the Annual Report including, as described on page 34, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on pages 34 and 35 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

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

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

OPINION
In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1999 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.

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors

Nottingham
4 June 1999

FINANCIAL SUMMARY

	1992	1993	1994	1995	1996	1997	1998	**1999**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Turnover	24,598	29,506	35,438	70,728	85,918	98,489	135,975	**125,014**
Operating Profit	2,389	2,963	3,527	5,530*	7,538	8,809*	12,516*	**7,914***
Operating Margin	9.7%	10.0%	10.0%	7.8%*	8.8%	8.9%*	9.2%*	**6.3%***
Earnings per share	10.9p	12.7p	15.0p	17.2p*	20.3p	23.2p*	25.1p*	**14.2p***
Earnings growth	44%	17%	18%	15%	18%	14%	8%	**-43%**
Dividends per share	3.4p	4.0p	4.6p	5.5p	6.5p	7.4p	8.3p	**8.3p**
Dividends growth	51%	18%	15%	20%	18%	14%	12%	**-**
Capital employed								
Capital and reserves	10,906	11,913	13,651	24,971	24,280	40,472	41,028	**42,282**
Net debt/(cash)	(1,579)	6	401	6,997	16,680	28,380	21,923	**24,828**
	9,327	11,919	14,052	31,968	40,960	68,852	62,951	**67,110**
Interest cover	10.9	26.9	42.0	12.3*	8.0	5.9*	5.6*	**3.9***
Return on average capital employed	24.3%	27.9%	27.2%	24.0%*	20.7%	16.0%*	19.0%*	**12.2%***
Capital expenditure	707	1,487	1,320	2,073	1,996	2,609	3,805	**4,857**
Depreciation	760	834	845	1,658	2,063	2,118	3,311	**3,373**

* *before exceptional costs*

The figures above have been restated to reflect the effects of new Financial Reporting Standards as set out in note 1 to the accounts.

Shareholder Information

Financial calendar

Half year results announced	December
Full year results preliminary announcement	June
Annual General Meeting	***
Payment of interim dividend	January
Payment of final/second interim dividend	July

Shareholder enquiries

Shareholders who have questions relating to the Group's business should contact the Company at Commerce House, 9 The Oldway Centre, Monnow Street, Monmouth, NP25 3PS.
Telephone: (01600) 719333
Facsimile: (01600) 719555

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 CF10 3PD
Telephone: (029) 2037 1210
Facsimile: (029) 2038 8455

Auditors	PricewaterhouseCoopers
Solicitors	Edwards Geldard
Stockbrokers	Credit Lyonnais Securities Bell Lawrie White & Co.
Bankers	Barclays Bank PLC Northern Bank Limited
Actuaries	William M Mercer Limited
Company registration number	406925
Registered office	Commerce House 9 The Oldway Centre Monnow Street Monmouth NP25 3PS

Designed by Penknife and Typeset by SET Print & Facilities Ltd. Cardiff Printed in Wales.