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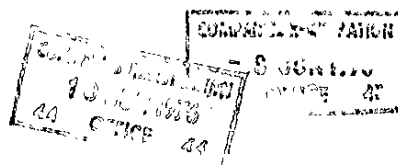
ALLIED LEATHER INDUSTRIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

28

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FOR THE YEAR ENDED
31st DECEMBER, 1975



Notice of Meeting

Notice is hereby given that the Twenty-eighth Annual General Meeting of Allied Leather Industries Limited will be held at the Grosvenor Victoria Hotel, London, S.W.1 on Tuesday the 29th day of June, 1976 at 12 noon, for the following purposes:—

- (i) To receive and consider the Accounts for the year ended 31st December, 1975 together with the Reports of the Directors and Auditors. (Resolution 1.)
- (ii) To declare a Dividend on the Ordinary Stock. (Resolution 2.)
- (iii) To re-elect a Director. (Resolution 3.)
- (iv) To authorise the Directors to determine the Auditors' remuneration. (Resolution 4.)
- (v) To transact any other ordinary business authorised to be transacted at any Annual General Meeting of the Company.

By Order of the Board,

R. P. CAREY,
Secretary.

Green Dragon House,
64/70 High Street,
Croydon CR9 1JN.

28th May, 1976

Notes:

- 1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not also be a member of the Company.
- 2. Details of transactions of Directors of the Company and of their family interests in the Share Capital of the Company and its subsidiaries during the year to 28th May, 1976 will be available at the Registered Office of the Company during normal business hours from the date of this notice until the Annual General Meeting, and for a period of 15 minutes prior to the meeting, and during the meeting.

Board of Directors

Directors

H. G. Barlow (*Chairman and Managing Director*)
D. G. Fildes
L. C. Hardy
F. W. Watson
R. P. Carey

Solicitors

Allen & Overy,
9 Cheapside, London, EC2V 6AD.

Auditors

Whinney Murray & Co.,
Chartered Accountants,
57 Chiswell Street,
London, EC1Y 4SY.

Bankers

National Westminster Bank Ltd.,
15 Bishopsgate, London, EC2P 2AP.

Secretary

R. P. Carey.

Registrar

C. H. Longdon-Griffiths, R.D., F.C.A.

Registered Office

Green Dragon House,
64/70 High Street, Croydon CR9 1JN.

Directors' Report

for the year ended
31st December, 1975.

Accounts and Dividends

The Directors submit the audited accounts of the Company for the year ended 31st December, 1975 and recommend the payment of a Final Dividend of 8.84 per cent. which makes a total for the year of 13.78 per cent. This compares with a Final Dividend of 8.06 per cent. and a total of 12.75 per cent. for the year to 31st December, 1974.

Principal Activities

The activities of the Group are sole leather tanning, shoe repairing and the retailing of leather and travel goods and ancillary goods and the manufacture of saddlery and leather goods and ancillary products.

The Group's turnover and profits for the year were divided between the different classes of business as follows:—

	Total £	Tanning, Shoe Repairing and ancillary activities £	Leather Goods manufacture and ancillary activities £	Other Income £	Interest (Note 3(b) to the Accounts) £
Turnover (excluding inter- Company sales)	11,924,221	9,366,795	2,557,426	—	—
Net profit before taxation	731,097	752,531	39,765	33,459	(94,658)
Export sales for the year totalled	£753,023 (1974 £650,777)				

Directors

The present Directors of the Company are listed on page 2 and all were Directors throughout the financial year. Mr. F. W. Watson retires by rotation and, being eligible, offers himself for re-election. The interests of the Directors including family interests in the share capital of the Company at the beginning and end of the Company's financial year and at 28th May, 1976, as shown by the register kept for the purpose, were as follows:—

	Preference Stock 31/12/74 £	Preference Stock 31/12/75 £	Preference Stock 28/5/76 £	Ordinary Stock 31/12/74 £	Ordinary Stock 31/12/75 £	Ordinary Stock 28/5/76 £
H. G. Barlow	—	—	—	74,524.00	74,524.00	74,524.00
D. G. Fildes	2,500	2,500	2,500	5,041.50	5,041.50	5,041.50
L. C. Hardy	—	33	33	21,294.50	46,628.00	36,628.00
F. W. Watson	—	33	33	49,555.50	56,059.00	56,059.00
R. P. Carey	1,225	1,225	1,225	437.50	3,437.50	3,437.50

Mr. D. G. Fildes is a trustee for holdings in which he has no beneficial interest as follows:—

—	—	—	£35,833	£35,833	£35,833
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The beneficial holdings of Mr. H. G. Barlow shown above include £35,833 Ordinary Stock also included in the holdings of Mr. D. G. Fildes as trustee.

Other Substantial Shareholders

At 28th May, 1976 Mr. and Mrs. C. N. Braden held £56,014 Ordinary Stock representing 11.20 per cent. of the issued Ordinary Share Capital.

Directors' Report

continued

Employees

The average number of employees of the Group in each week during the year was 2,393 and their aggregate remuneration in respect of the year was £4,135,392.

Charitable Contributions

The Company has made gifts during the year for charitable purposes of £1,544.

Supplementary Information

On 1st January, 1976 the Group acquired the total share capital of Miloré Limited and its Subsidiary Companies and C. F. Reader & Co. Limited the respective considerations being £114,678 and £18,163.

On 31st October, 1975 the Company acquired the total share capital of J. & E. Sedgwick & Co. Limited for a consideration of £345,495.

There are no contracts or arrangements subsisting at the date of issue of this document in which a Director of the Company is materially interested.

The freehold and leasehold properties of the Group are fully utilised in the business. The Directors are of the opinion that the Market Value of the premises used for this purpose is not materially different from the Book Value.

Auditors

The auditors, Whinney Murray & Co. have signified their willingness to continue in office.

By Order of the Board,

R. P. CAREY,

Secretary.

Green Dragon House
64/70 High Street,
Croydon CR9 1JN.

28th May, 1976.

Consolidated Profit & Loss Account

for the year ended
31st December, 1975

	£	31-12-75 £	31-12-74 £
Turnover (Note 2)		<u>£11,924,221</u>	<u>£10,061,544</u>
Trading Profit (Note 3)		697,638	721,967
<i>Add: Income from quoted investments</i>		<u>33,459</u>	<u>29,708</u>
Profit before Taxation and Extraordinary Items		731,097	751,675
Corporation Tax based on the profit for the year at 52% (1974 52%)	372,363		291,791
Overseas taxation	4,519		2,941
Deferred taxation	<u>1,075</u>		<u>112,100</u>
		<u>377,957</u>	<u>406,832</u>
Profit after Taxation		353,140	344,843
Extraordinary Items (Note 4)		<u>89,728</u>	<u>213,645</u>
Group Profit for the year of which £102,155 (1974 £30,329) has been dealt with in the accounts of Allied Leather Industries Limited		442,868	558,488
Dividends			
Preference	5,250		5,250
Interim of 4.94 per cent. net (1974 4.69 per cent. net)	24,700		23,450
Proposed final of 8.84 per cent. net (1974 06 per cent. net)	<u>44,200</u>		<u>40,300</u>
		<u>74,150</u>	<u>69,000</u>
Retained Profits added to Reserves		<u>£368,718</u>	<u>£489,488</u>
Earnings per Stock Unit of 25p		17.39p	16.98p

The basic earnings per Stock Unit are calculated on earnings of £347,890 (1974 £339,593) and on 2,000,000 Stock Units in issue.

The notes on pages 8 to 13 form part of these accounts.

Consolidated Balance Sheet

at 31st December, 1975

	£	£	31-12-74 £
Fixed Assets (Note 5)		2,955,697	2,679,541
Investments (Note 6)		229,073	210,867
Mortgage		90,000	90,000
Current Assets			
Stocks	2,068,951		1,659,151
Debtors	1,021,495		766,650
A.C.T. recoverable	23,800		21,700
Cash	4,597		3,249
	<u>3,118,843</u>		<u>2,450,750</u>
Current Liabilities			
Bank overdraft (secured £95,855)	412,956		453,864
Creditors	1,158,678		1,038,409
Balance due on acquisition of subsidiary	178,217		—
Current taxation (including £336,892 payable on or after 1-1-77)	503,249		408,288
Dividends (including accrued Preference £1,750—(1974 £1,750))	45,950		42,050
	<u>2,299,050</u>		<u>1,942,611</u>
Net Current Assets		819,793	508,139
		<u>4,094,563</u>	<u>3,488,547</u>
Deduct:—			
Deferred Taxation	675,111		464,565
Interest of Minority Shareholders	100		100
	<u>675,211</u>		<u>464,665</u>
		<u>£3,419,352</u>	<u>£3,023,882</u>
Representing:—			
Share Capital of Allied Leather Industries Limited		650,000	650,000
Reserves (Note 7)		2,769,352	2,373,882
		<u>£3,419,352</u>	<u>£3,023,882</u>

The notes on pages 8 to 13 form part of these accounts.

Balance Sheet

at 31st December, 1975

	£	£	31-12-74 £
Fixed Assets (Note 5)		17,462	6,977
Subsidiary Companies (Note 8)		1,524,357	1,348,736
Investments (Note 6)		13,878	12,966
Current Assets			
Debtors	5,847		5,816
A.C.T. recoverable	60,886		91,701
Bank balances and cash	45,824		27,773
	<u>112,557</u>		<u>135,290</u>
Current Liabilities			
Creditors	110,862		118,363
Balance due on acquisition of subsidiary	178,217		—
Current taxation	8,755		47,241
Dividends (including accrued Preference £1,750— 1974 £1,750)	45,950		42,050
	<u>343,784</u>		<u>207,654</u>
Net Current Liabilities		(231,227)	(72,364)
		<u>1,324,470</u>	<u>1,296,315</u>
Deduct: Deferred Taxation		1,600	1,450
		<u>£1,322,870</u>	<u>£1,294,865</u>
Representing:—			
Share Capital			
Authorised issued and fully paid 150,000 5 per cent. (3½ per cent. plus tax credit) Cumulative Preference Stock		150,000	150,000
2,000,000 Ordinary Stock Units of 25p each		500,000	500,000
		<u>650,000</u>	<u>650,000</u>
Reserves (Note 7)		672,870	644,865
		<u>£1,322,870</u>	<u>£1,294,865</u>

H. G. BARLOW }
L. C. HARDY } *Directors*

The notes on pages 8 to 13 form part of these accounts.

Notes on the Accounts

for the year ended
31st December, 1975.

1 Accounting Policies

(a) Basis of Consolidation

- (i) The consolidated accounts deal with the state of affairs of the company and its subsidiaries at 31st December, 1975 and the results for the year ended on that date.
- (ii) The Group has one associated company whose results and net assets are not consolidated as they are considered to be insignificant in relation to the Group.

(b) Fixed Assets—Depreciation

- (i) No depreciation is charged on freehold property and long leasehold property.
- (ii) Short leasehold property is amortised within the term of the leases.
- (iii) Plant and Machinery, Fixtures and Fittings are depreciated at an annual rate of 12½ per cent. on cost.
- (iv) Motor Vehicles are depreciated at an annual rate of 25 per cent. on cost.

(c) Stocks

Stocks, which include work in progress, are valued on a basis consistent with that adopted in the previous year, namely, the lower of cost and net realisable value. In the case of finished goods and work in progress cost comprises materials, direct labour and an appropriate proportion of manufacturing overheads.

(d) Deferred Taxation

- (i) Provision is made for corporation tax at 52 per cent. on the excess of book values of Plant and Machinery, Fixtures and Fittings over their written down values for the purposes of capital allowances.
- (ii) Relief for taxation has been claimed under the provisions of Section 18 Finance Act 1975 and Schedule 5 Finance Bill 1976 in respect of the increase in stock valuation at 31st December, 1975. The amount of corporation tax deferred by this relief is included in deferred taxation at the current rate of tax.

2 Group Turnover

	31-12-75	31-12-74
	£	£
Representing amounts received for shoe repairing and ancillary activities and net invoiced sales of sole leather and leather goods to customers (excluding all internal transactions) amounted to	£11,924,221	£10,061,544

3 Trading Profit is arrived at after charging:

(a) Depreciation and Amortisation

Leasehold properties	28,640	28,164
Plant and machinery, vehicles, fixtures and fittings	240,026	206,094
	<u>£268,666</u>	<u>£234,258</u>

(b) Interest

Bank Interest	88,748	94,688
Interest on Balance due on acquisition of Subsidiary	3,217	—
Interest on mortgages repayable within five years	2,344	999
Interest on mortgages repayable in excess of five years	349	349
	<u>£94,658</u>	<u>£96,036</u>

Notes on the Accounts

continued

	31-12-75	31-12-74
	£	£
(c) Hire of Plant and Machinery	<u>£4,961</u>	<u>£3,096</u>
(d) Auditors' Remuneration (including £900 in respect of Allied Leather Industries Ltd.)	<u>£19,738</u>	<u>£17,723</u>
(e) Emoluments of Directors of Allied Leather Industries Ltd.		
Fees	750	750
Management remuneration	<u>37,570</u>	<u>32,189</u>
	<u>£38,320</u>	<u>£32,939</u>

Additional information in respect of directors' emoluments, excluding pension contributions:

	Number of Directors	
Chairman—emoluments £5,004 (1974 £5,008)	1	1
Highest paid director—emoluments £14,050 (1974 £11,706)	1	1
Other directors – emoluments in scale:		
Not more than £2,500	2	2
£7,501 – £10,000	–	1
£10,001 – £12,500	1	–
	<u>5</u>	<u>5</u>

4 Extraordinary Items

	£	£
Net profit realised on disposal of properties	43,728	124,097
Provision for Corporation Tax on chargeable capital gains no longer required	46,000	139,548
Amount set aside for additional funding of Pension Plan due to possible effects of inflation	—	(50,000)
	<u>£89,728</u>	<u>£213,645</u>

Notes on the Accounts

continued

5 Fixed Assets

	Freehold Property	Leasehold Property	Plant and Machinery, Vehicles, Fixtures and Fittings	Total
	£	£	£	£
The Group				
Cost or valuation at 1st January, 1975	1,493,084	483,588	2,421,859	4,398,531
Acquired with new subsidiaries	310,810	—	125,026	435,836
Additions during year	88,749	19,753	252,841	361,343
Cost of items sold or scrapped	(106,354)	(12,888)	(62,956)	(182,198)
	<u>1,786,289</u>	<u>490,453</u>	<u>2,736,770</u>	<u>5,013,512</u>
Less: Mortgages	29,445	—	—	29,445
	<u>1,756,844</u>	<u>490,453</u>	<u>2,736,770</u>	<u>4,984,067</u>
Depreciation and amortisation	36,633	261,209	1,730,528	2,028,370
Net book amount 31st December, 1975	<u>£1,720,211</u>	<u>£229,244</u>	<u>£1,006,242</u>	<u>£2,955,697</u>
Net book amount 31st December, 1974	<u>£1,449,004</u>	<u>£243,721</u>	<u>£986,816</u>	<u>£2,679,541</u>

Of the freehold property £49,090 is represented by valuations at 30th June, 1948, £195,000 by valuation by Grimley & Son on a present day open market existing use basis at 31st October, 1975 and the balance at cost.

Of the leasehold property £56,250 represents long leaseholds.

Mortgages of £2,745 bear rates of interest of $7\frac{3}{4}$ per cent. and $9\frac{1}{2}$ per cent. and are repayable in 1976 and 1986, and a mortgage of £26,700 bears a rate of interest of 5 per cent. and is repayable on demand.

The Company

	Freehold Property	Plant and Machinery, Vehicles, Fixtures and Fittings	Total
	£	£	£
Cost at 1st January, 1975	—	20,969	20,969
Additions during the year	11,137	1,136	12,273
Cost of items sold	—	(281)	(281)
Depreciation and amortisation	—	(15,499)	(15,499)
Net book amount 31st December, 1975	<u>£11,137</u>	<u>£6,325</u>	<u>£17,462</u>
Net book amount 31st December, 1974	<u>£ —</u>	<u>£6,977</u>	<u>£6,977</u>

Notes on the Accounts

continued

6 Investments	31-12-75	31-12-74
(a) The Group	£	£
Quoted—at cost—in Great Britain	13,878	12,966
in Ireland	205,233	188,489
	<u>219,111</u>	<u>201,455</u>
Market value in Great Britain £18,825 (1974 £21,367); in Ireland £291,202 (1974 £177,294)		
Unquoted—at cost		
Associated company	9,412	9,412
(Directors' valuation £20,000—1974 £20,000)		
Other (Directors' valuation £550)	550	—
	<u>£229,073</u>	<u>£210,867</u>
(b) The Company		
Quoted in Great Britain—at cost	£13,878	£12,966
(Market value £18,825—1974 £21,367)	<u>£13,878</u>	<u>£12,966</u>

The Group owns 14.05 per cent. of the Ordinary share capital of Irish Leathers Ltd. which is incorporated in the Republic of Ireland, and 14.82 per cent. of the ordinary share capital of Five Star (Glove Shampoo) Limited which is incorporated in Great Britain.

The Group owns 50 per cent. of the Ordinary share capital of £15,000 of Hugh Brown & Co. Ltd., a company registered and trading in England. The last audited accounts were in respect of the year ended 30th June, 1975. The loss after taxation was £4,716 (1974 profit £1,094) and the total reserves were £34,424 (1974 £39,140).

7 Reserves

	£
The Group	
Balance at 1st January, 1975	2,373,882
Net capital reserve arising on acquisition of new subsidiaries	26,752
Retained profit for the year	368,718
	<u>£2,769,352</u>
The Company	
Balance at 1st January, 1975	644,865
Retained profit for the year	28,005
	<u>£672,870</u>

Notes on the Accounts

continued

8 Interest in Subsidiaries

	31-12-75	31-12-74
	£	£
Shares at cost	527,851	182,356
Advances, including dividends since declared	1,417,702	1,301,545
	1,945,553	1,483,901
Amounts owing, less dividends since declared	421,196	135,165
	£1,524,357	£1,348,736

Statement of Shareholdings in operating subsidiary companies:

Incorporated in England unless otherwise stated	Class of Shares held	Shares held directly	Shares held by subsidiaries	Principal Activities
Allied Shoe Repairs Limited	Ordinary	100%		Shoe Repairers and Retailers
Allied English Saddlery & Leather Goods Limited	Ordinary	100%		Holding Company
Allied Tanneries Limited	Ordinary	100%		Holding Company
J. & E. Sedgwick & Company Limited	Ordinary Preference	100% 100%		Leather Dressers
Willis Investment Company Limited (Incorporated in Republic of Ireland)	Ordinary	100%		Investment Company
Allied Cards and Gifts Limited	Ordinary		100%	Retailers and Shoe Repairers
Bliss & Co. Limited	Ordinary		100%	Factoring of Leather Goods
J. H. Boggas (Bedford) Limited	Ordinary		100%	Shoe Repairers and Retailers
Downton Tanning Company Limited	Ordinary		100%	Sole Leather Tanners
Eldonian Brookes Limited	Ordinary		100%	Saddlery Manufacturers
C. Greatrex & Son Limited	Ordinary		100%	Leather Goods Manufacturers
Malone Shoe Repair Service Limited (Incorporated in Scotland)	Ordinary		100%	Shoe Repairers and Retailers
D. Mason and Sons Limited	Ordinary		100%	Leather Goods Manufacturers
Miloré Limited	Ordinary		100%	Glove Manufacturers
Miloré (Wholesale & Export) Limited	Ordinary		100%	Glove Manufacturers
C. F. Reader & Company Limited	Ordinary		100%	Evening Bag Manufacturers
Redvales Limited	Ordinary		100%	Shopfitters
S.B. & N. Limited	Ordinary		100%	Stainless Steel Manufacturers
Stylish Glove Manufacturing Company Limited	Ordinary		100%	Glove Manufacturers
W. & A. J. Turner (Ipswich) Limited	Ordinary		100%	Sole Leather Tanners

In addition there are certain wholly owned subsidiaries which do not trade.

Notes on the Accounts

continued

9 Future Capital Expenditure

The Directors have authorised future capital expenditure, which amounted to:

The Group

Contracted for	£51,150
	(1974 £70,594)
Not contracted for	£19,700
	(1974 £21,900)

The Company

The Company had no capital commitments at 31st December, 1974 and 31st December, 1975.

10 Contingent Liabilities

The Company

The Company has guaranteed overdrafts of £457,578 (1974—£534,505) of subsidiary companies.

11 Close Company

The Company is a close company as defined in the Income and Corporation Taxes Act 1970.

Allied Leather Industries Limited

**Report
of the
Auditors**
to the Members

We have examined the accounts of Allied Leather Industries Limited set out on pages 5 to 13. Included therein are amounts relating to subsidiary companies audited by other auditors whose reports we have reviewed.

In our opinion the accounts give for the Company and the Group, so far as concerns members of the company, a true and fair view of the state of affairs at 31st December, 1975 and of the profit for the year then ended and comply with the Companies Acts 1948 and 1967.

WHINNEY MURRAY & CO.

Chartered Accountants

LONDON, 28th May, 1976.

Chairman's Statement

The Consolidated Accounts before you show a profit before taxation of £731,097 which after provision for taxation and the addition of certain extraordinary items, amounting to £89,728, leaves a Group profit for the year of £442,868.

The dividend on the Cumulative Preference Stock and an Interim dividend of 4.94% on the Ordinary Stock have been paid and your Board recommends a final dividend of 8.84%.

The decline in the pairage of shoe repairs was relatively small during the year, but the increase of wages, rates and all other expenses made it necessary to close many of our smaller units but further development of the retail side of our larger units more than compensated for these closures.

The leather goods section was unable to maintain the previous year's progress and sales were adversely affected by the recession in North America. The rising cost of keeping horses and ponies, to which I referred last year, has had a depressing effect on the market and we were unable to recover the inflation costs of this labour intensive industry. However, there are some indications that this trade is beginning to improve.

The sole leather Tanneries at Downton and Ipswich have had another successful year, having benefited from the lower hide prices at the beginning of 1975. Although we had another mild winter, the demand for our Oakleaf sheepskin coats manufactured by W. & A. J. Turner (Ipswich) Ltd. enabled us to increase production during the year.

On 31st October, 1975 the Company acquired the Walsall leather dressing firm of J. & E. Sedgwick & Co. Limited, a company to whom we have sold crust leather and from whom we have bought dressed leather for many years. The company occupies modern factory premises on the Pleck trading estate in Walsall.

I would like to thank all those working with the various companies for their contribution to the growth of the Group as a whole.