

**SIGNED
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Z Hinchliffe & Sons Limited

**Directors' report and consolidated
financial statements**

30 June 1995

Registered number 78708



Z Hinchliffe & Sons Limited

Notice of meeting

Notice is hereby given that the annual general meeting of the company will be held at the registered office of the company, Hartcliffe Mills, Denby Dale, near Huddersfield on 5 October 1995 at 4:00pm for the following purposes:

- 1 to receive and adopt the report of the directors and the audited financial statements for the year ended 30 June 1995.
- 2 to declare a dividend.
- 3 to re-appoint the auditors, KPMG, for the ensuing year.
- 4 to transact any other business of the company.

By order of the board of directors

GL Ross
Secretary

29 August 1995

A member entitled to attend and vote is entitled to appoint a proxy (one or more proxies) to attend and vote instead of him. A proxy need not be a member.

Z Hinchliffe & Sons Limited

Directors' report and consolidated financial statements

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Z Hinchliffe & Sons Limited

Company information

Directors

JN Hinchliffe Chairman
GP Wilby
JR Hinchliffe
JH Hinchliffe
GA Wilby

Secretary

GL Ross

Registered office

Hartcliffe Mills
Denby Dale
Huddersfield
HD8 8QL

Bankers

Midland Bank plc
Cloth Hall Street
Huddersfield
HD1 2ES

Auditors

KPMG
Chartered Accountants
Station Street Buildings
Huddersfield
HD1 1LZ

Z Hinchliffe & Sons Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1995.

Directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for safeguarding the assets of the group and to prevent and detect fraud and other irregularities.

Principal activity

During the year the group continued to trade as yarn spinners.

Business review

These accounts show that we have been able to maintain turnover and in practice much of this is due to higher raw material prices.

Last year we forecast that because of consumer resistance in price, margins were bound to be eroded.

At this time we believe that this will be manifest in the present year. Trading will certainly not be any easier thus, we are striving to increase market share and turnover.

Proposed dividend and transfer to reserves

The directors recommend the following dividends:

	£
On cumulative preference shares	1,050
On ordinary shares	19,950
	21,000

Z Hinchliffe & Sons Limited

Directors' report *(continued)*

Proposed dividend and transfer to reserves *(continued)*

After deducting the total dividends of £21,000 the consolidated retained profit for the year is £1,496,327.

Significant changes in fixed assets

Movements in tangible fixed assets are set out in note 9 to the financial statements.

Directors and directors' interests

The present directors are shown on page 1. The interest of directors holding office at 30 June 1995 in the shares of the group were as follows:

Z Hinchliffe & Sons Limited

	Ordinary shares of £1 each		Cumulative preference shares of £1 each	
	30 June 1995	1 July 1994	30 June 1995	1 July 1994
JN Hinchliffe	20,750	20,750	2,100	2,100
			*2,100	*2,100
GP Wilby	60,561	60,561	515	515
JR Hinchliffe	2,216	2,216	2,909	2,909
JH Hinchliffe	2,217	2,217	2,908	2,908
GA Wilby	2,583	1,417	2,778	1,389

Harold Hinchliffe Limited

	Ordinary shares of 5p each		Cumulative preference shares of 5p each	
	30 June 1995	1 July 1994	30 June 1995	1 July 1994
JN Hinchliffe	2,845	2,845	22,956	22,956
	*1,257	*1,257	*23,764	*23,764
GP Wilby	-	-	-	-
JR Hinchliffe	5,258	5,258	39,921	39,921
JH Hinchliffe	5,257	5,257	39,921	39,921
GA Wilby	-	-	-	-

* Denotes trustee holding with no beneficial interest.

A consultant to KPMG is a trustee, with no beneficial interest, of 2,100 preference shares in Z Hinchliffe & Sons Limited and 1,257 ordinary and 11,322 preference shares in Harold Hinchliffe Limited.

Z Hinchliffe & Sons Limited

Directors' report *(continued)*

Employees

The company has continued to maintain and encourage employee involvement in those aspects of the company's affairs which are of direct concern to them using a variety of communication processes.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. They are eligible for promotion and, within the limits of their disabilities, are given equal consideration with other applicants.

Political and charitable contributions

The company donated £500 to the Dewsbury Conservative Association during the year.

Auditors

On 6 February 1995 our Auditors changed the name under which they practise to KPMG, and accordingly, have signed their report in their new name.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

John N Hinchliffe

George P Wilby

Directors
29 August 1995

John N Hinchliffe George P Wilby



Station Street Buildings
Huddersfield
HD1 1LZ

Auditors' report to the members of Z Hinchliffe & Sons Limited

We have audited the financial statements on pages 6 to 19

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

29 August 1995

Z Hinchliffe & Sons Limited

Consolidated profit and loss account for the year ended 30 June 1995

	Note	1995 £	1994 £
Turnover	2	17,302,768	17,277,648
Cost of sales		(13,647,832)	(11,978,594)
Gross profit		3,654,936	5,299,054
Distribution costs		(777,090)	(1,067,214)
Administrative expenses		(747,924)	(954,862)
Operating profit		2,129,922	3,276,978
Interest receivable		433,223	406,225
Interest payable	6	(530,384)	(188,621)
Profit on ordinary activities before taxation	3	2,032,761	3,494,582
Tax on profit on ordinary activities	7	(515,434)	(1,213,561)
Profit for the financial year		1,517,327	2,281,021
Dividends proposed	8	(21,000)	(21,000)
Retained profit for the financial year		1,496,327	2,260,021
Retained profit brought forward		15,817,069	13,557,048
Retained profit carried forward		17,313,396	15,817,069
Reconciliation of movements in shareholders' funds:			
Profit for the financial year		1,517,327	2,281,021
Dividends		(21,000)	(21,000)
Retained profit		1,496,327	2,260,021
Opening shareholders' funds		16,072,037	13,812,016
Closing shareholders' funds		17,568,364	16,072,037

There are no recognised gains or losses other than the historical profit for the year stated above.

Z Hinchliffe & Sons Limited

Consolidated balance sheet at 30 June 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	9	5,172,185	5,598,360
Current assets			
Stocks	11	11,151,807	6,235,133
Debtors	12	4,429,386	4,722,004
Cash and short term deposits	13	5,145,101	4,833,377
		<u>20,726,294</u>	<u>15,790,514</u>
Creditors: amounts falling due within one year	14	<u>7,775,217</u>	<u>4,736,487</u>
Net current assets		<u>12,951,077</u>	<u>11,054,027</u>
Total assets less current liabilities		<u>18,123,262</u>	<u>16,652,387</u>
Provisions for liabilities and charges	16	<u>554,898</u>	<u>580,350</u>
Net assets		<u>17,568,364</u>	<u>16,072,037</u>
Capital and reserves			
Called up share capital	17	254,968	254,968
Profit and loss account		17,313,396	15,817,069
Shareholders Funds			
Equity		17,538,364	16,042,037
Non-equity		<u>30,000</u>	<u>30,000</u>
		<u>17,568,364</u>	<u>16,072,037</u>

Z Hinchliffe & Sons Limited

Balance sheet at 30 June 1995

	Note	1995		1994	
		£	£	£	£
Fixed assets					
Tangible assets	9	5,172,185		5,598,360	
Investments	10	41,367		41,367	
Current assets		5,213,552		5,639,727	
Stocks	11	11,151,807	6,235,133		
Debtors	12	5,209,309	5,590,569		
Cash at bank and in hand		3,005	2,670		
		16,364,121	11,828,372		
Creditors: amounts falling due within one year	14	7,871,466	4,740,619		
Net current assets		8,492,655		7,087,753	
Total assets less current liabilities		13,706,207		12,727,480	
Creditors: amounts falling due after more than one year	15	196,596		196,596	
Provisions for liabilities and charges	16	554,898		580,350	
Net assets		12,954,713		11,950,534	
Capital and reserves					
Called up share capital	17	254,968		254,968	
Profit and loss account		12,699,745		11,695,566	
Shareholders Funds					
Equity		12,924,713	11,920,534		
Non-equity		30,000	30,000		
		12,954,713		11,950,534	

These financial statements were approved by the board of directors on 29 August 1995 and were signed on its behalf by:

John N Hinchliffe

George P Wilby

Directors

John N Hinchliffe *George P Wilby*

Z Hinchliffe & Sons Limited

Consolidated cash flow statement for the year ended 30 June 1995

	Note	1995 £	£	1994 £	£
Net cash (outflow)/inflow from operating activities	19	(1,598,109)		1,282,509	
Return on investments and servicing of finance					
Interest received		296,363		406,225	
Interest paid		(556,364)		(188,621)	
Dividends paid		(21,000)		(21,000)	
		<u></u>		<u></u>	
Net cash (outflow)/inflow from returns on investment and servicing of finance		(281,001)		196,604	
Taxation					
UK corporation tax paid		(976,821)		(551,547)	
Overseas tax paid		(95,343)		(79,813)	
		<u></u>		<u></u>	
Tax paid		(1,072,164)		(631,360)	
Investing activities					
Purchase of tangible fixed assets		(307,426)		(326,605)	
Sale of tangible fixed assets		61,360		14,909	
		<u></u>		<u></u>	
Net cash outflow from investing activities		(246,066)		(311,696)	
Net cash (outflow)/inflow before financing		(3,197,340)		536,057	
		<u></u>		<u></u>	
(Decrease)/increase in cash and cash equivalents	20	(3,197,340)		536,057	

Z Hinchliffe & Sons Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The group's financial statements consolidate the financial statements of Z Hinchliffe & Sons Limited and all its subsidiary undertakings. These financial statements are made up to 30 June 1995. Uniform accounting policies are adopted throughout the group. Unrealised profit arising on trading between group companies is eliminated on consolidation.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Dividends received are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Z Hinchliffe & Sons Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Z Hinchliffe & Sons Limited is £1,025,179 (1994:£2,176,999).

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	Between 2% and 4% per annum
Plant and machinery	-	10% or 20% per annum
Motor vehicles	-	20% per annum

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Z Hinchliffe & Sons Limited

Notes (continued)

1 Accounting policies (continued)

Pension costs

The group operates two pension schemes on behalf of employees, the 1978 Retirement and Death Benefit Scheme which is a defined benefit scheme, and the Employees' Pension Scheme which is a money purchase scheme.

The pension scheme charge for the year as disclosed in note 5 reflects payments made during the year. The defined benefit scheme's charge is calculated on the basis of triennial independent actuarial valuations. The most recent valuation of the defined benefit scheme, dated 6 April 1991 by MG Waumsley FIA of Equity & Law Life Assurance Society plc, stated that the scheme was adequately funded. The valuation assumed an aggregate method of funding, with total contributions at 21¾ % of pensionable salaries.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the total amount receivable for goods sold to external customers, less returns and allowances and excluding value added tax.

2 Particulars of turnover

	1995 £	1994 £
<i>Market analysis</i>		
Home	13,585,561	13,441,541
Export	3,717,207	3,836,107
	17,302,768	17,277,648

Z Hinchliffe & Sons Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	1995 £	1994 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration - audit	18,070	19,550
- other services	21,375	19,450
Depreciation	692,270	770,777
Exchange losses	67,382	29,857
<i>after crediting</i>		
Rents receivable from property	32,017	27,295
Profit on disposal of fixed assets	<u>20,029</u>	<u>10,811</u>

4 Remuneration of directors

	1995 £	1994 £
Directors' emoluments:		
Remuneration as executives	348,632	378,887
Pension to past director's widow	<u>2,275</u>	<u>2,275</u>
	<u>350,907</u>	<u>381,162</u>

The emoluments, excluding pension contributions, of the chairman were £87,152 (1994:£99,592) and those of the highest paid director were £90,263 (1994:£108,159).

Z Hinchliffe & Sons Limited

Notes (continued)

4 Remuneration of directors (continued)

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

		Number of directors	
		1995	1994
£20,001	- £25,000	-	1
£25,001	- £30,000	1	-
£55,001	- £60,000	2	-
£60,001	- £65,000	-	2
£85,001	- £90,000	1	-
£90,001	- £95,000	1	-
£95,001	- £100,000	-	1
£105,001	- £110,000	-	1

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

		Number of employees	
		1995	1994
Production		266	262
Distribution and administration		32	30
		<u>298</u>	<u>292</u>

The aggregate payroll costs of these persons were as follows:

		1995	1994
		£	£
Wages and salaries		3,043,636	2,879,841
Social security costs		237,524	236,308
Other pension costs		112,860	118,965
		<u>3,394,020</u>	<u>3,235,114</u>

Z Hinchliffe & Sons Limited

Notes (continued)

6 Interest payable and similar charges

	1995 £	1994 £
On bank overdraft wholly repayable within five years	<u>530,384</u>	<u>188,621</u>

7 Taxation

	1995 £	1994 £
UK corporation tax at 33% (1994 : 33%) on the profit for the year on ordinary activities	642,080	1,224,925
Deferred taxation	(25,452)	(33,030)
Overseas taxation	(39,114)	14,650
Adjustment relating to an earlier year	(62,080)	7,016
	<u>515,434</u>	<u>1,213,561</u>

8 Dividends

	1995 £	1994 £
Preference shares:		
Final proposed	1,050	1,050
Ordinary shares:		
Final proposed	<u>19,950</u>	<u>19,950</u>
	<u>21,000</u>	<u>21,000</u>

Z Hinchliffe & Sons Limited

Notes (continued)

9 Tangible fixed assets

Group and company	Freehold land and buildings £	Plant and machinery £	Total £
<i>Cost</i>			
At beginning of year	3,778,317	9,566,876	13,345,193
Additions	-	307,426	307,426
Disposals	-	(151,748)	(151,748)
At end of year	3,778,317	9,722,554	13,500,871
<i>Depreciation</i>			
At beginning of year	1,064,786	6,682,047	7,746,833
Charge for year	130,725	561,545	692,270
On disposals	-	(110,417)	(110,417)
At end of year	1,195,511	7,133,175	8,328,686
<i>Net book value</i>			
At 30 June 1995	<u>2,582,806</u>	<u>2,589,379</u>	<u>5,172,185</u>
At 30 June 1994	<u>2,713,531</u>	<u>2,884,829</u>	<u>5,598,360</u>

10 Fixed asset investments

Company	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	<u>60,367</u>
<i>Provisions</i>	
At beginning and end of year	<u>19,000</u>
<i>Net book value</i>	
At beginning and end of year	<u>41,367</u>

Z Hinchliffe & Sons Limited

Notes (continued)

10 Fixed asset investments (continued)

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Z Hinchliffe & Sons AG, Zug	Switzerland	Textiles	100% ordinary
Z Hinchliffe & Sons (Huddersfield) Limited	England	Dormant	100% ordinary
Z Hinchliffe & Sons (Birdsedge) Limited	England	Dormant	100% ordinary
Z Hinchliffe & Sons (Scotland) Limited	England	Dormant	100% ordinary

11 Stocks

Group and company	1995 £	1994 £
Raw materials and consumables	8,894,111	4,445,989
Work in progress	348,116	342,677
Finished yarn	1,909,580	1,446,467
	<u>11,151,807</u>	<u>6,235,133</u>

12 Debtors

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Amounts falling due within one year				
Trade debtors	4,131,731	4,492,569	2,403,525	2,787,986
Tax recoverable	7,197	112,248	-	99,829
Amounts owed by subsidiary undertakings	-	-	2,752,320	2,685,512
Other debtors	3,607	2,552	3,607	2,552
Prepayments and accrued income	286,851	114,635	49,857	14,690
	<u>4,429,386</u>	<u>4,722,004</u>	<u>5,209,309</u>	<u>5,590,569</u>

Z Hinchliffe & Sons Limited

Notes (continued)

13 Cash and short term deposits

Group cash and short term deposits at 30 June 1995 includes listed fixed interest securities at a cost of £2,941,950 (1994:£2,000,000) and market value of £3,177,810 (1994:£2,148,776).

14 Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Bank overdrafts	5,625,471	2,116,407	5,625,471	2,067,430
Trade creditors	322,683	220,744	322,683	220,744
Amounts owed to subsidiary undertakings	-	-	168,742	150,453
Corporation tax	693,412	1,215,244	693,412	1,215,244
Foreign taxes	5,461	145,410	-	-
Other taxes and social security	685,277	416,274	754,268	586,786
Accruals and deferred income	420,086	572,067	285,890	476,734
Other creditors	1,827	29,341	-	2,228
Dividends proposed	21,000	21,000	21,000	21,000
	<u>7,775,217</u>	<u>4,736,487</u>	<u>7,871,466</u>	<u>4,740,619</u>

15 Creditors: amounts falling due after more than one year

	1995	1994
	£	£
Company		
Amounts owed to subsidiary undertakings	<u>196,596</u>	<u>196,596</u>

16 Provisions for liabilities and charges

	Deferred taxation £
Group and company	
At beginning of year	580,350
Current tax in respect of prior year	(26,707)
Charge for the year in the profit and loss account	<u>1,255</u>
At end of year	<u>554,898</u>

Z Hinchliffe & Sons Limited

Notes (continued)

16 Provisions for liabilities and charges (continued)

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1995		1994	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and capital allowances	560,148	-	585,600	-
Advance corporation tax recoverable	(5,250)	-	(5,250)	-
	<u>554,898</u>	<u>-</u>	<u>580,350</u>	<u>-</u>

No deferred taxation has been provided on earnings to be remitted to the parent company by Z Hinchliffe & Sons Limited AG, Zug, the overseas subsidiary.

17 Called up share capital

	1995	1994
	£	£
<i>Authorised</i>		
5% (now 3.5% plus tax credit) cumulative preference shares of £1 each	30,000	30,000
Ordinary shares of £1 each	<u>245,000</u>	<u>245,000</u>
	<u>275,000</u>	<u>275,000</u>
<i>Allotted, called up and fully paid</i>		
5% (now 3.5% plus tax credit) cumulative preference shares of £1 each	30,000	30,000
Ordinary shares of £1 each	<u>224,968</u>	<u>224,968</u>
	<u>254,968</u>	<u>254,968</u>

The preference shares are entitled to a fixed cumulative dividend and, in any future winding up, a right to repayment of £1 per share. Such a repayment would be in priority to any other shares. These shares only carry voting rights at general meetings on any resolutions relating to their rights and privileges.

Z Hinchliffe & Sons Limited

Notes (continued)

18 Commitments

Capital commitments at the end of the financial year for which no provision has been made are as follows:

Group and company	1995 £	1994 £
Contracted	-	-
Authorised but not contracted	-	-

19 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Operating profit	2,129,922	3,276,978
Depreciation charge	692,270	770,777
Profit on sale of tangible fixed assets	(20,029)	(10,811)
Increase in stocks	(4,916,674)	(1,395,032)
Increase/(decrease) in debtors	324,427	(759,289)
Increase/(decrease) in creditors	217,427	(476,811)
Decrease in provisions	(25,452)	(123,303)
Net cash (outflow)/inflow from operating activities	(1,598,109)	1,282,509

20 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Net £
At beginning of year	4,833,377	(2,116,407)	2,716,970
Net cash inflow/(outflow)	311,724	(3,509,064)	(3,197,340)
At end of year	5,145,101	(5,625,471)	(480,370)

21 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Harold Hinchliffe Limited which is the ultimate parent company and is registered in England and Wales.

Copies of the financial statements of Harold Hinchliffe Limited may be obtained from:

Harold Hinchliffe Limited
Strathdearne
HUDDERSFIELD
HD8 8QJ