

SIGNED
COPY

Z Hinchliffe & Sons Limited

**Directors' report and consolidated
financial statements**

30 June 1996

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 Monday 28 October 1996 at 10:00am 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 1996.
- 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



G.L. Ross
Secretary

27 September 1996

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

<i>Contents</i>	<i>Page</i>
Company information	1
Directors' report	2
Auditors' report	5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes	10

Z Hinchliffe & Sons Limited

Company information

Directors

GP Wilby	Chairman
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 1996.

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 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

During the year profitability has been maintained, showing a moderate advance resulting from a satisfactory increase in turnover. Costs continue to be controlled and all opportunities are being considered to maintain this growth.

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 £1,680,332.

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. Mr JN Hinchliffe who served as chairman during the year died on 17 December 1995. The interest of directors holding office at 30 June 1996 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 1996	30 June 1995	30 June 1996	30 June 1995
GP Wilby	60,561	60,561	515	515
JR Hinchliffe	12,591	2,216	4,778	2,909
JH Hinchliffe	12,592	2,217	4,777	2,908
GA Wilby	2,583	2,583	4,647	2,778

Harold Hinchliffe Limited

	Ordinary shares of 5p each		Cumulative preference shares of 5p each	
	30 June 1996	30 June 1995	30 June 1996	30 June 1995
GP Wilby	-	-	-	-
JR Hinchliffe	6,680	5,258	51,399	39,921
JH Hinchliffe	6,680	5,257	51,399	39,921
GA Wilby	-	-	-	-

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 £1,000 to the Dewsbury Conservative Association during the year.

Auditors

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



George P Wilby
Director

27 September 1996



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 1996 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
Chartered Accountants
Registered Auditors

27 September 1996

Z Hinchliffe & Sons Limited

Consolidated profit and loss account for the year ended 30 June 1996

	Note	1996 £	1995 £
Turnover	2	21,076,027	17,302,768
Cost of sales		(17,489,333)	(13,647,832)
Gross profit		3,586,694	3,654,936
Distribution costs		(768,082)	(777,090)
Administrative expenses		(540,170)	(747,924)
Operating profit		2,278,442	2,129,922
Interest receivable		524,721	433,223
Interest payable	6	(470,061)	(530,384)
Profit on ordinary activities before taxation	2-6	2,333,102	2,032,761
Tax on profit on ordinary activities	7	(631,770)	(515,434)
Profit for the financial year		1,701,332	1,517,327
Dividends proposed	8	(21,000)	(21,000)
Retained profit for the financial year		1,680,332	1,496,327
Retained profit brought forward		17,313,396	15,817,069
Retained profit carried forward		18,993,728	17,313,396
Reconciliation of movements in shareholders' funds:			
Profit for the financial year		1,701,332	1,517,327
Dividends		(21,000)	(21,000)
Retained profit		1,680,332	1,496,327
Opening shareholders' funds		17,568,364	16,072,037
Closing shareholders' funds		19,248,696	17,568,364

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 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	9		5,147,076		5,172,185
Current assets					
Stocks	11	8,035,936		11,151,807	
Debtors	12	5,569,573		4,429,386	
Cash and short term deposits		6,069,497		5,145,101	
		<u>19,675,006</u>		<u>20,726,294</u>	
Creditors: amounts falling due within one year	14	<u>(5,040,871)</u>		<u>(7,775,217)</u>	
Net current assets			<u>14,634,135</u>		<u>12,951,077</u>
Total assets less current liabilities			<u>19,781,211</u>		<u>18,123,262</u>
Provisions for liabilities and charges	16		<u>(532,515)</u>		<u>(554,898)</u>
Net assets			<u>19,248,696</u>		<u>17,568,364</u>
Capital and reserves					
Called up share capital	17		254,968		254,968
Profit and loss account			18,993,728		17,313,396
Shareholders Funds					
Equity		19,218,696		17,538,364	
Non-equity		<u>30,000</u>		<u>30,000</u>	
			<u>19,248,696</u>		<u>17,568,364</u>

Z Hinchliffe & Sons Limited

Balance sheet at 30 June 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	9		5,147,076		5,172,185
Investments	10		41,367		41,367
			<u>5,188,443</u>		<u>5,213,552</u>
Current assets					
Stocks	11	8,035,936		11,151,807	
Debtors	12	6,193,374		5,209,309	
Cash at bank and in hand		2,279		3,005	
		<u>14,231,589</u>		<u>16,364,121</u>	
Creditors: amounts falling due within one year	14	(4,844,338)		(7,871,466)	
Net current assets			<u>9,387,251</u>		<u>8,492,655</u>
Total assets less current liabilities			<u>14,575,694</u>		<u>13,706,207</u>
Creditors: amounts falling due after more than one year	15		(196,596)		(196,596)
Provisions for liabilities and charges	16		(532,515)		(554,898)
Net assets			<u>13,846,583</u>		<u>12,954,713</u>
Capital and reserves					
Called up share capital	17		254,968		254,968
Profit and loss account			13,591,615		12,699,745
Shareholders Funds					
Equity		13,816,583		12,924,713	
Non-equity		30,000		30,000	
		<u>13,846,583</u>		<u>12,954,713</u>	

These financial statements were approved by the board of directors on 27 September 1996 and were signed on its behalf by:

GP Wilby
Director

George P. Wilby

JR Hinchliffe
Director

Robert Hinchliffe

Z Hinchliffe & Sons Limited

Consolidated cash flow statement for the year ended 30 June 1996

	Note	1996		1995	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	19	5,222,439		(1,598,109)	
Return on investments and servicing of finance					
Interest received		537,881		296,363	
Interest paid		(478,811)		(556,364)	
Dividends paid		(21,000)		(21,000)	
Net cash inflow/(outflow) from returns on investment and servicing of finance		38,070		(281,001)	
Taxation					
UK corporation tax paid		(607,202)		(976,821)	
Overseas tax paid		(42,218)		(95,343)	
Tax paid		(649,420)		(1,072,164)	
Investing activities					
Purchase of tangible fixed assets		(715,984)		(307,426)	
Sale of tangible fixed assets		51,251		61,360	
Net cash outflow from investing activities		(664,733)		(246,066)	
Net cash inflow/(outflow) before financing		3,946,356		(3,197,340)	
Increase/(decrease) in cash and cash equivalents	20	3,946,356		(3,197,340)	

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 1996. 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 £912,870 (1995:£1,025,179).

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 1994 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 21¼ % 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

	1996 £	1995 £
<i>Market analysis</i>		
Home	16,716,066	13,585,561
Export	4,359,961	3,717,207
	21,076,027	17,302,768

Z Hinchliffe & Sons Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	1996 £	1995 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration - audit	20,718	18,070
- other services	40,297	21,375
Depreciation	693,938	692,270
Exchange gains	(97,199)	(67,382)
Rents receivable from property	(34,298)	(32,017)
Profit on disposal of fixed assets	(4,096)	(20,029)
	<u> </u>	<u> </u>

4 Remuneration of directors

	1996 £	1995 £
Directors' emoluments:		
Remuneration as executives	364,619	348,632
Pension to past director's widow	-	2,275
	<u> </u>	<u> </u>
	364,619	350,907
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions, of the chairmen who were also the highest paid directors were £47,665 (1995: £87,152) and £92,092 (1995: £90,263).

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	
		1996	1995
£25,001	- £30,000	-	1
£30,001	- £35,000	1	-
£45,001	- £50,000	1	-
£55,001	- £60,000	-	2
£65,001	- £70,000	2	-
£85,001	- £90,000	-	1
£90,001	- £95,000	1	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	
		1996	1995
Production		286	278
Distribution and administration		32	32
		<u>318</u>	<u>310</u>

The aggregate payroll costs of these persons were as follows:

		1996	1995
		£	£
Wages and salaries		3,290,843	3,043,636
Social security costs		261,336	237,524
Other pension costs		137,965	112,860
		<u>3,690,144</u>	<u>3,394,020</u>

Z Hinchliffe & Sons Limited

Notes (continued)

6 Interest payable and similar charges

	1996 £	1995 £
On bank overdraft wholly repayable within five years	<u>470,061</u>	<u>530,384</u>

7 Taxation

	1996 £	1995 £
UK corporation tax at 33% (1995 : 33%) on the profit for the year on ordinary activities	500,000	642,080
Deferred taxation	(12,408)	(25,452)
Overseas taxation	124,314	(39,114)
Adjustment relating to an earlier year	<u>19,864</u>	<u>(62,080)</u>
	<u>631,770</u>	<u>515,434</u>

8 Dividends

	1996 £	1995 £
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	9,722,554	13,500,871
Additions	167,472	548,512	715,984
Disposals	-	(112,820)	(112,820)
At end of year	3,945,789	10,158,246	14,104,035
<i>Depreciation</i>			
At beginning of year	1,195,511	7,133,175	8,328,686
Charge for year	138,867	555,071	693,938
On disposals	-	(65,665)	(65,665)
At end of year	1,334,378	7,622,581	8,956,959
<i>Net book value</i>			
At end of year	2,611,411	2,535,665	5,147,076
At beginning of year	2,582,806	2,589,379	5,172,185

10 Fixed asset investments

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

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	1996 £	1995 £
Raw materials and consumables	5,383,366	8,894,111
Work in progress	683,504	348,116
Finished yarn	1,969,066	1,909,580
	<u>8,035,936</u>	<u>11,151,807</u>

12 Debtors

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Amounts falling due within one year				
Trade debtors	5,230,553	4,131,731	2,895,019	2,403,525
Tax recoverable	51,927	7,197	24,191	-
Amounts owed by subsidiary undertakings	-	-	3,244,234	2,752,320
Other debtors	33,768	3,607	504	3,607
Prepayments and accrued income	253,325	286,851	29,426	49,857
	<u>5,569,573</u>	<u>4,429,386</u>	<u>6,193,374</u>	<u>5,209,309</u>

Z Hinchliffe & Sons Limited

Notes (continued)

13 Cash and short term deposits

Cash and short term deposits at 30 June 1996 include listed fixed interest securities at a cost of £3,755,000 (1995: £2,941,950) and market value of £3,913,750 (1995: £3,177,810).

14 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Bank overdrafts	2,603,511	5,625,471	2,603,511	5,625,471
Trade creditors	457,786	322,683	252,385	322,683
Amounts owed to subsidiary undertakings	-	-	292,575	168,742
Corporation tax	606,767	693,412	606,767	693,412
Foreign taxes	119,186	5,461	-	-
Other taxes and social security	792,533	685,277	792,533	754,268
Accruals and deferred income	440,088	420,086	275,567	285,890
Other creditors	-	1,827	-	-
Dividends proposed	21,000	21,000	21,000	21,000
	<u>5,040,871</u>	<u>7,775,217</u>	<u>4,844,338</u>	<u>7,871,466</u>

15 Creditors: amounts falling due after more than one year

	1996	1995
	£	£
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	554,898
Current tax in respect of prior year	(9,975)
Charge for the year in the profit and loss account	<u>(12,408)</u>
At end of year	<u>532,515</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:

	1996		1995	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and capital allowances	537,765	-	560,148	-
Advance corporation tax recoverable	(5,250)	-	(5,250)	-
	<u>532,515</u>	<u>-</u>	<u>554,898</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

	1996	1995
	£	£
<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	245,000	245,000
	<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	224,968	224,968
	<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	1996 £	1995 £
Contracted	-	-
Authorised but not contracted	-	-

19 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1996 £	1995 £
Operating profit	2,278,442	2,129,922
Depreciation charge	693,938	692,270
Profit on sale of tangible fixed assets	(4,096)	(20,029)
Decrease/(increase) in stocks	3,115,871	(4,916,674)
(Increase)/decrease in debtors	(1,108,617)	324,427
Increase in creditors	269,284	217,427
Decrease in provisions	(22,383)	(25,452)
Net cash inflow/(outflow) from operating activities	5,222,439	(1,598,109)

20 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Net £
At beginning of year	5,145,101	(5,625,471)	(480,370)
Net cash inflow	924,396	3,021,960	3,946,356
At end of year	6,069,497	(2,603,511)	3,465,986

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:

Registrar of Companies
Companies House
Crown Way
Maindy
Cardiff
CF4 3UZ