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**DINKIE**

Report  
&  
Accounts  
1999

Dinkie Heel plc



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# Contents

	page
Chairman's Statement	2
Directors' Report	5
Corporate Governance	7
Auditors' Report	9
Profit and Loss Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Accounts	13
Financial Record	25
Notice of Meeting	26
Company Information	28

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# Chairman's Statement

## Financial results

I am disappointed to have to report a loss on ordinary activities before taxation for the year of £427,000 (1998, profit £217,000). No tax charge or credit is due for the year (1998, credit £30,000). Losses per share were 2.89p (1998, earnings 1.84p). Gearing at the balance sheet date was 59.8% (1998, 42.4%).

## Review of the year

For the toe cap and rubber moulding businesses the year was one of enormous change and difficulty. Integration of the FCE toe cap business acquired in October 1998 took longer and was more costly than anticipated. That integration also required the removal to Phillips Rubber of the rubber moulding business being carried out in Warmley. That removal, whilst difficult in itself, also coincided with a sharp decline in the market for those products and Phillips had to make large stock provisions in direct consequence.

By contrast the company's two operations in Northampton, together known as Davies Odell, continued their rapid diversification away from the footwear trade. Sales of EVA flooring products for the equestrian and dairy industries grew substantially as did sales of products for impact protective clothing and accessories for sports applications (PPE equipment). The acquisition in May 1999 of the business of Sports Protection Limited provided new opportunities in PPE equipment.

Exports now represent 40% of company turnover, a full 10% increase in the year. Export sales are increasingly important to the company and the detrimental effect of the weak euro on sales opportunities and prices considerably outweighs the beneficial effect that it has in restraining raw material buying prices. The loss before tax in the second half of the year was £210,000 (first half year £217,000).

The toe cap business, trading as Dinkie-FCE, included a full year of sales from the FCE business acquired in October 1998. Sales volume was 37% higher than in 1998 and second half year sales were 15% higher than in the first half. The increased volume derived entirely from extra export sales. Average selling prices fell by 8% over the year but the rate of fall in the second half year slowed to just 1% below those of the first half. As mentioned above, integration problems with FCE caused considerable disruption during the year and it was towards the year end before these were finally resolved. Orders were at satisfactory levels throughout the year and the increased ability to satisfy them is demonstrated in the increased sales in the second half.

Sales of lightweight EVA flooring products to the equestrian and dairy industries and of products for impact protection in protective clothing increased by 80% and 46% respectively compared with 1998. These products together formed 19% of total company sales for the year (1998, 12%). Sales of footwear products at Davies Odell fell by 17.5%. The profit of the combined operation increased by 60% by comparison with 1998.

Following the re-organisation, Phillips Rubber produces all of the company's moulded rubber production for footwear repairers and manufacturers. However a 20% fall in sales to the repair trade, particularly overseas, and the absence of sales

# Chairman's Statement continued

overseas to certain footwear manufacturers resulted in turnover for the total business falling 35% from 1998. Stock provisions totalling £58,000 were made in 1999 in direct consequence.

The company generated net cash inflow from operating activities of £70,000 (1998, £699,000). Capital expenditure was £261,000 and the interest cost of borrowings £164,000. Net debt increased by £447,000 to £2,158,000 representing gearing at the balance sheet date of 59.8%.

## **Dividends**

Given the need to conserve cash and in the light of the loss for the year the Board has considered that it cannot recommend a dividend for the year (1998, total dividend for the year 1.2p per share).

## **Year 2000**

The company has not to date encountered any significant systems problems or incurred any unforeseen costs associated with the year 2000 date change nor has it had any indication of consequential problems with customers or suppliers. Nevertheless the Board recognises that the issue is complex and that system problems could yet arise.

## **Prospects**

For the last fifteen years the company has been consolidating various parts of the UK footwear components industry in order to increase market share and retain profitability in a continually declining market. The wide product range has also enabled significant export business to be developed. The relative strength of sterling has put both export margins and volumes under pressure in our two main manufacturing areas - rubber components and steel toe caps. Although decline of the UK footwear industry has been continual it is only recently that the safety footwear market, the company's largest market sector, has been affected. In just four years the import penetration of safety footwear has increased from 10% of consumption to over 50% in 1999. The medium term implications of these developments are being actively considered by your Board.

The Dinkie-FCE toe cap business has begun the year with sales orders lower than in 1999 and a consistent pick-up is still awaited. Some running-down of stocks built up by our customers ahead of the new millennium and the effect of an extended New Year holiday may be partly to blame. The decline in sales prices has slowed and margins are being helped by the effect of exchange rates on prices of raw materials. Production has overcome the difficulties of 1999 and is nearing the planned level of efficiency.

Davies Odell has begun the year satisfactorily and sales of lightweight EVA flooring products and PPE equipment are continuing to grow.

Phillips Rubber has recovered some of the sales accounts with manufacturers that it lacked in 1999 and has obtained additional export business. Integration of production of the more diverse range of products is now complete and operating satisfactorily.

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## Chairman's Statement continued

### Power to issue shares



At the annual general meeting in 1996 your Board sought the power, by ordinary resolution, to issue shares in accordance with Section 80 of the Companies Act 1985 and to disapply, by special resolution, Section 89(1) which requires shares always to be issued proportionately to existing shareholders. Those powers would for example allow your company to issue shares as consideration, in part or in whole, for a suitable acquisition.

Your directors seek the power to allot shares for the whole of the unissued share capital. They have no present intention of doing so but consider that such power could be helpful and would not be excessive in view of the size of the company and the restrictive nature of taking the power for a lesser amount.

Under Stock Exchange requirements your Board is required to renew each year the power and appropriate resolutions will be put to the shareholders to deal with these matters at the annual general meeting.

### Staff

As always, I am grateful for a loyal workforce in the face of a difficult environment for manufacturing industry.



David M Parkes  
*Chairman*

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# Directors' Report

Your directors have pleasure in submitting their annual report and the audited financial statements of the company for the year ended 31 December 1999.

## Principal activities

The principal activities of the company are the production and supply of safety steel toe caps and a wide range of other components for the footwear manufacture and repair industries together with the manufacture and distribution of a rapidly increasing portfolio of products for personal protection and for the equestrian and dairy industries.

## Results

The loss for the year after providing for all expenses amounts to £427,000. No taxation is payable or receivable and the directors do not recommend the payment of a dividend. The loss for the year is set against reserves.

## Directors

The directors' beneficial interests in shares of the company, including those of their families, are shown in note 8 to the accounts on page 17.

The company has five executive directors. C R Ball PhD (58) was appointed Managing Director in 1981. He joined the business, which his grandfather had founded in 1939, after a career in science. He is supported by G C Martin (55) who is a Chartered Accountant and Financial Director. R J Mitchell (53) and M J Stowey (46) are the Directors and General Managers of our Davies Odell and Dinkie-FCE operations and A J Stowey (43) is Marketing Director. E Tickle retired as a director on 7 May 1999.

The non-executive directors are D M Parkes and D A S Burn. D M Parkes (69) is Chairman and a Chartered Accountant with substantial knowledge gained in professional practice and as a non-executive director of a number of other companies. D A S Burn (46), MBA, BSc, MIMechEng, is Managing Director of Gimlet Management Consultants Ltd and holds a number of other non-executive directorships.

The directors retiring by rotation in accordance with Articles 90 and 91 are M J Stowey and G C Martin who, being eligible, offer themselves for re-election. Both directors have service contracts the terms of which are described below.

C R Ball and G C Martin have service contracts with the company requiring not less than two years' notice of termination. Other executive directors have service contracts requiring not less than one year's notice. The directors have no other interests in any contract with the company.

## Directors' Report continued

### Acquisition

On 28 May 1999 the company entered into an Agreement to purchase the Business and certain of the Assets of the sports protection equipment business carried on by Sports Protection Limited. Details of the transaction are shown in note 22 to the accounts on page 22.

### Substantial shareholdings

We have been notified that the following shareholders held more than 3% of the company's ordinary shares at 24 March 2000:

	Shares
Lloyds Bank (Stock Exchange Branch) Nominees Limited	1,234,544
Dartington Portfolio Nominees Limited	908,211
RBSTB Nominees Limited	500,000

### Payment policy

Company policy is to determine terms and conditions of payment with suppliers when negotiating the other terms of supply and to abide by the terms of payment. At the year end the company had an average of 44 days purchases outstanding in trade creditors.

### Financial and treasury policy

The company finances its operations by a combination of retained profits, management of working capital, bank overdrafts and medium term bank loans. The disclosures for financial instruments are made in note 18 to the accounts on page 21.

Interest rate risk is controlled by a combination of fixed and variable rates of interest on bank borrowings.

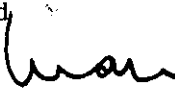
Liquidity risk is managed by the preparation of cash flow forecasts and by monthly comparison of actual cash flows against the forecasts. Company policy is to ensure that funding is in place sufficient that trading activities are not impaired.

Currency risk is principally in respect of transactions in US dollars and in member currencies of the euro. Company policy is to match as far as possible through the normal course of trade the level of sales and purchases in foreign currencies.

### Auditors

PricewaterhouseCoopers are willing to continue in office and a resolution proposing their re-appointment will be submitted to the annual general meeting.

On behalf of the Board  
G C Martin  
Secretary  
24 March 2000



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# Corporate Governance

The company is committed to high standards of corporate governance and, accordingly, has chosen to comply with the Combined Code – Principles of Good Governance and Code of Best Practice (the Combined Code) which was appended to the Stock Exchange Listing Rules in 1998. The Combined Code consolidated and replaced the previous Cadbury, Greenbury and Hampel Reports.

The Board is accountable to the shareholders for good governance and the information and statements below describe how the principles identified in the Combined Code are applied by the company.

The company's corporate governance procedures are designed to enable the company to comply with the Combined Code. The procedures define the duties and constitution of the Board and the various Board committees and, as appropriate, specify responsibilities and level of responsibility.

## Statement of compliance

The Board believes, based on the information below and other than as indicated, that the company has throughout the accounting year applied the principles and complied with the provisions set out in Section 1 of the Combined Code. The principal corporate governance procedures are summarised as follows:

## The Board

The Board is comprised of the non-executive Chairman, Mr D M Parkes, the other non-executive director and five executive directors. Both non-executive directors are fully independent of management and of the company's major shareholders. Further details of the Board members are given in the Directors' Report on page 5. The differing roles of the Chairman and of the Managing Director are recognised by the Board.

All the directors, other than the Managing Director Dr C R Ball, are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association whereby one third of the directors retire by rotation each year.

The Board does not consider that the imposition of fixed terms of office on, or the appointment of further, non-executive directors would enhance the standard of its corporate governance. Similarly the Board does not consider that requiring the Managing Director to retire by rotation would be beneficial to the company.

The Board meets regularly, usually six times a year and with additional meetings being arranged when necessary, to consider information previously agreed with and requested from management.

The company seeks constructive dialogue with institutional and private shareholders through direct contact and through the opportunity for all shareholders to attend and ask questions at the annual general meeting.

## Audit committee

This committee comprises the non-executive directors and is chaired by Mr D A S Burn. The audit committee is responsible for the appointment of the external auditor, agreeing the nature and scope of the audit and reviewing and making recommendations to the Board on matters related to the issue of financial information to the public. It assists all directors in discharging their responsibility to ensure that accounting records are adequate and that the financial statements are true and fair.

## Nomination committee

This committee comprises the non-executive Chairman, the Managing Director and the other non-executive director. It is responsible for making recommendations to the Board on any appointment to the Board.

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## Corporate Governance continued

### **Remuneration committee**

This committee is comprised of the Chairman and the other non-executive director. The Managing Director is a key witness but not a member of the committee.

The remuneration committee sets the remuneration and other terms of employment of executive directors. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package appropriate for the responsibilities involved.

Directors' contracts are designed to provide the assurance of continuity which the company desires. C R Ball and G C Martin have service contracts giving not less than two years' notice of termination. Other executive directors have service contracts giving not less than one year's notice. There are no provisions for pre-determined compensation on termination.

Pensions for directors are based on salary alone and are provided by the company defined contribution scheme and defined benefits scheme. Contributions are paid to these schemes in accordance with independent actuarial recommendations or funding rates determined by the remuneration committee as appropriate to the type of scheme.

Non-executive directors have no service contracts, are not eligible for participation in share schemes and no pension contributions are made on their behalf.

Full details of directors' remuneration and benefits are given in note 8 to the financial statements on pages 16 and 17.

### **Internal financial control**

The Board has overall responsibility for the system of internal financial control which is designed with regard to the size of the company to provide reasonable but not absolute assurance against material mis-statement or loss. The organisational structure of the company gives clear management responsibilities in relation to internal financial control. Financial risks are controlled through clearly laid down authorisation levels. There is an annual budget which is approved by the directors. The results of the operating locations are reported monthly and compared to the budget. On behalf of the Board, the audit committee reviews the effectiveness of the internal financial control environment and receives reports from the external auditors on a regular basis.

The directors are also aware that they are responsible for all of the company's systems of internal control and not just those relating to financial controls. The directors are reviewing the controls in place to monitor their adequacy.

### **Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

### **Directors' responsibility statement**

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the results for the year. In preparing the financial statements suitable accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made. The financial statements are prepared on a going concern basis and in compliance with applicable accounting standards and with the Companies Act 1985. The directors are also responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

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# Auditors' Report

To the shareholders of Dinkie Heel plc

We have audited the financial statements on pages 10 to 24 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 13.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 8, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 mis-statements or material inconsistencies with the financial statements.

We review whether the statement on page 7 reflects the company's compliance with the seven 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 consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

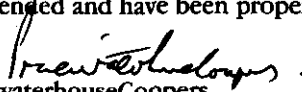
## Basis of audit opinion

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 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 mis-statement, 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 the company's affairs at 31 December 1999 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Bristol  
24 March 2000

## Profit and Loss Account

	Note	1999 £'000	1998 £'000
<b>Profit and Loss account</b>			
<b>Turnover</b>			
Continuing operations	2	10,718	10,224
Cost of sales		(10,163)	(9,190)
		-----	-----
Gross profit		555	1,034
Net operating expenses	3	(818)	(725)
		-----	-----
Operating (loss)/profit			
Continuing operations		(263)	309
Interest payable	6	(164)	(92)
		-----	-----
(Loss)/profit on ordinary activities			
before taxation	7	(427)	217
Taxation	9	-	30
		-----	-----
(Loss)/profit for the financial year		(427)	247
Dividends	10	-	(177)
		-----	-----
(Loss)/profit for the year set against reserves	21	(427)	70
		-----	-----
<b>Earnings</b>			
(Loss)/earnings per share (basic and diluted)	11	(2.89p)	1.84p
		-----	-----

The company has no recognised gains or losses other than the loss for the financial year as set out above. In the opinion of the directors the results on a historical cost basis are not materially different from the results as set out above.

The acquisition in the year has been integrated into the other operations of the company and as a result it is not practical to isolate its profits and cash flows. Details of the acquisition are given in note 22.

The notes on pages 13 to 24 form an integral part of these financial statements.

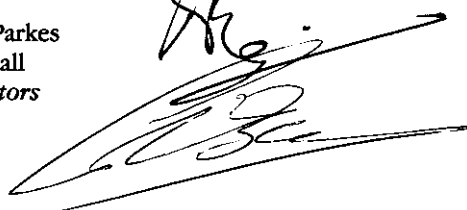
# Balance Sheet

	Note	1999 £'000	1998 £'000
<b>Net assets employed</b>			
<b>Fixed assets</b>			
Intangible assets	12	496	474
Tangible assets	13	3,312	3,375
		<u>3,808</u>	<u>3,849</u>
<b>Current assets</b>			
Stocks	14	1,570	1,865
Debtors	15	2,069	2,032
Cash at bank and in hand		18	25
		<u>3,657</u>	<u>3,922</u>
<b>Creditors: amounts falling due within one year</b>	16	(2,965)	(2,751)
		<u>692</u>	<u>1,171</u>
<b>Net current assets</b>			
		<u>4,500</u>	<u>5,020</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	17	(828)	(986)
<b>Provisions for liabilities and charges</b>	19	(65)	-
		<u>3,607</u>	<u>4,034</u>
<b>Capital and reserves</b>			
Called up share capital	20	738	738
Share premium	21	715	715
Revaluation reserve	21	536	544
Profit and loss account	21	1,618	2,037
		<u>3,607</u>	<u>4,034</u>
<b>Total equity shareholders' funds</b>	23	<u>3,607</u>	<u>4,034</u>

The notes on pages 13 to 24 form an integral part of these financial statements.

These accounts were approved by the Board of Directors on 24 March 2000.

D M Parkes  
C R Ball  
Directors



# Cash Flow Statement

	Note	1999 £'000	1998 £'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating (loss)/profit		(263)	309
Depreciation charges		401	287
Reorganisation costs paid		--	(205)
Decrease in stocks		326	156
Increase in debtors		(121)	(101)
(Decrease)/increase in creditors		(273)	253
		<hr/>	<hr/>
Net cash inflow from operating activities		70	699
		<hr/>	<hr/>

## Cash Flow Statement

Net cash inflow from operating activities		70	699
Returns on investments and servicing of finance	25	(164)	(92)
Taxation		62	(31)
Capital expenditure	25	(261)	(481)
Acquisitions	25	(65)	(1,521)
Equity dividends paid		(89)	(215)
		<hr/>	<hr/>
		(447)	(1,641)
Financing	25	(55)	1,259
		<hr/>	<hr/>
Decrease in cash		(502)	(382)
		<hr/>	<hr/>

## Reconciliation of net cash flow to movement in net debt

Decrease in cash in the period		(502)	(382)
Cash reduction/(increase) from change in debt		55	(869)
		<hr/>	<hr/>
Change in net debt		(447)	(1,251)
Net debt at 1 January 1999		(1,711)	(460)
		<hr/>	<hr/>
Net debt at 31 December 1999	26	(2,158)	(1,711)
		<hr/>	<hr/>

## Notes to the Accounts

### 1. Accounting policies

#### (a) Accounting convention:

These accounts have been prepared under the historical cost convention modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

#### (b) Depreciation:

No depreciation is provided on freehold land. Other fixed assets are depreciated on a straight line basis over the following periods:

Freehold and leasehold buildings	50 years or, if shorter, the life of the lease
Plant and machinery	Between 5 and 10 years
Motor vehicles	5 years
Tools and moulds	7 years or over the period of the contract

#### (c) Stocks:

Stocks are valued at the lower of cost and net realisable value. Stocks of raw materials are valued on a first in first out basis at net invoice values charged by suppliers. The value of work in progress and finished goods includes the direct cost of materials and labour together with an appropriate proportion of factory overheads.

#### (d) Deferred taxation:

Provision is made for deferred taxation using the liability method on timing differences arising between profits as shown by the accounts and profits as computed for taxation purposes. Provision is only made where it is considered that there is a reasonable probability that a liability will arise within the foreseeable future.

#### (e) Foreign currencies:

Items in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates during the year are taken to the profit and loss account.

#### (f) Acquisitions:

Net tangible assets acquired are included in the accounts at their fair value. Following the introduction of FRS 10 differences arising between the fair value of the consideration and the fair value of assets acquired are capitalised as goodwill and amortised over a period not exceeding 20 years.

In 1997 and prior years such differences were dealt with through reserves. On any subsequent disposal of the related businesses the appropriate amount will be charged or credited to the profit and loss account.

#### (g) Pensions:

Pension costs charged against profits for the defined contribution scheme are the amount of contributions payable to the pension scheme in respect of the accounting period. For the defined benefit scheme the charge is the amount derived by spreading the cost of pensions over the estimated remaining service lives of employees.

#### (h) Operating leases:

The annual costs of operating leases are charged to the profit and loss account.

## Notes to the Accounts continued

<b>2. Turnover</b>	The geographical analysis of turnover by destination is:	1999	1998
		£'000	£'000
	United Kingdom	6,405	7,168
	Rest of Europe	1,200	652
	The Americas	694	979
	Australasia	79	144
	Far East	1,636	396
	Africa	704	885
		<hr/>	<hr/>
		10,718	10,224
		<hr/>	<hr/>

The United Kingdom is the source of turnover and operating profit and the principal location of the net assets of the company. The directors consider that the company operates in one business segment, serving various markets.

<b>3. Net operating expenses</b>		1999	1998
		£'000	£'000
	Distribution costs	344	264
	Administrative expenses	474	461
		<hr/>	<hr/>
		818	725
		<hr/>	<hr/>

<b>4. Staff numbers and costs</b>	The average number of persons employed by the company during the year was:	1999	1998
	Management and administration	24	23
	Production and sales	188	174
		<hr/>	<hr/>
		212	197
		<hr/>	<hr/>

The aggregate payroll costs of these persons were:

		1999	1998
		£'000	£'000
	Wages and salaries	3,219	2,959
	Social security costs	281	269
	Other pension costs	129	128
		<hr/>	<hr/>
		3,629	3,356
		<hr/>	<hr/>

## Notes to the Accounts continued

### 5. Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to **£78,000** (1998, **£77,000**).

The company also operates a defined benefits scheme. The scheme was closed to new employees on 26 August 1988. The assets of the scheme are held separately from those of the company in a deposit administration contract underwritten by an insurance company. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was at 1 July 1998 and the main actuarial assumptions were a rate of interest of 8.5% before retirement, 6.5% after retirement and a rate of salary increase of 6.5% pa. The valuation showed that the market value of the scheme assets was **£1,383,500** and that the actuarial value of those assets was sufficient to cover 95% of the benefits that had accrued to members. The deficiency has arisen because of changes made by the actuary in the financial assumptions used together with a change in the assumption about members' retirement ages. The valuation was received on 5 July 1999. With effect from 1 January 2000 the company increased its contribution rate to 14.6% (1999, 9%), a rate intended to eliminate the scheme deficit over 7 years being the average future working lifetime of the membership. The pension charge for the year was **£51,000** (1998, **£51,000**).

### 6. Interest payable

	1999 £'000	1998 £'000
On bank loans and overdrafts	<b>164</b>	<b>92</b>

### 7. (Loss)/profit on ordinary activities before taxation

	1999 £'000	1998 £'000
is stated after charging:		
Depreciation:		
of intangible fixed assets	<b>25</b>	-
of tangible fixed assets	<b>376</b>	<b>287</b>
Auditors' remuneration and expenses:		
for audit	<b>22</b>	<b>22</b>
for non-audit	<b>3</b>	<b>3</b>
Operating leases:		
on land and buildings	<b>105</b>	<b>85</b>
on plant and machinery	<b>7</b>	<b>7</b>

## Notes to the Accounts continued

### 8. Directors' emoluments and interests

	1999	1998
	£'000	£'000
The aggregate remuneration of the directors was:		
Fees	15	15
Salaries and benefits	276	292
	291	307

The remuneration of the Chairman, D M Parkes, and the other directors was:

	Salaries and fees		Benefits		Total	
	1999	1998	1999	1998	1999	1998
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive</b>						
C R Ball	66	62	11	7	77	69
G C Martin	54	50	6	6	60	56
R J Mitchell	37	35	4	3	41	38
A J Stowey	35	33	8	6	43	39
M J Stowey	42	40	1	1	43	41
E Tickle	3	37	1	4	4	41
<b>Non-executive</b>						
D M Parkes	15	15	-	-	15	15
D A S Burn	8	8	-	-	8	8
	260	280	31	27	291	307

Benefits represent the value attributed to company cars, fuel and medical insurance.

Directors' pensions are secured in the company defined benefits and defined contribution schemes. Details are shown below:

Defined benefits scheme	Accrued pension at 31 December 1998	Increase in accrued pension during 1999	Accrued pension at 31 December 1999	Transfer value of the increase in accrued pension during 1999
	£'000 pa	£'000 pa	£'000 pa	£'000 pa
C R Ball	17	2	19	28
G C Martin	10	2	12	19
A J Stowey	8	1	9	7
M J Stowey	11	1	12	9
	46	6	52	63

The increase in accrued pension during the year excludes any increase for inflation.

## Notes to the Accounts continued

### 8. Directors' emoluments and interests continued

Defined contribution scheme	Company contributions	
	1999 £'000	1998 £'000
C R Ball	4	4
G C Martin	3	3
R J Mitchell	3	3
A J Stowey	2	2
M J Stowey	2	2
E Tickle	-	6
	14	20

The directors' beneficial interests, including those of their families, in shares of the company were:

	31 December 1999		31 December 1998	
	shares	options	shares	options
<b>Executive</b>				
C R Ball	644,719	-	644,719	140,000
G C Martin	12,586	-	12,586	100,000
R J Mitchell	46,145	-	16,145	40,000
A J Stowey	1,196,189	-	1,276,189	30,000
M J Stowey	1,240,899	-	1,270,899	30,000
<b>Non-executive</b>				
D M Parkes	313,000	-	313,000	-

A J Stowey and M J Stowey have each sold 5,000 shares since 31 December 1999. Other than this there have been no changes in the interests of any director up to 24 March 2000.

D M Parkes, C R Ball and G C Martin were holders of 100,216 shares at 31 December 1999 (1998, 145,871 shares) in their capacity as trustees of The Dinkie Heel 1979 Profit Sharing Scheme.

During the year no options were granted or exercised. Share options for C R Ball and G C Martin were at 24.5p per share and expired unexercised on 16 February 1999. All other options were at 32.5p and expired unexercised on 12 May 1999.

The register of directors' interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe for shares.

### 9. Taxation

	1999 £'000	1998 £'000
UK corporation tax credit	-	30

The corporation tax credit in 1998 arose from the utilisation of tax losses.

## Notes to the Accounts continued

### 10. Dividends

	1999 £'000	1998 £'000
Interim paid nil (1998, 0.6p)	-	88
Final proposed nil (1998, 0.6p)	-	89
	-	177

### 11. (Loss)/earnings per share

The loss per share is calculated on losses of £427,000 (1998, earnings £247,000) and on 14,770,000 (1998, 13,436,666) ordinary shares, being the weighted average number in issue during the year.

There is no difference between the diluted (loss)/earnings per share and basic shown above as the exercise price of share options disclosed in note 20 exceeds the average mid market price for the year.

### 12. Intangible fixed assets

	Goodwill £'000
Cost	
1 January 1999	474
Acquisition	47
	521
31 December 1999	521
Depreciation	
1 January 1999	-
Charge for the year	25
	25
31 December 1999	25
Net book amount	
31 December 1999	496
31 December 1998	474

## Notes to the Accounts continued

### 13. Tangible fixed assets

	Land & Buildings £'000	Plant & Machinery £'000	Tools & Moulds £'000	Motor Vehicles £'000	Total £'000
<b>Cost or Valuation</b>					
1 January 1999	1,451	3,522	1,584	285	6,842
Acquisitions	-	47	5	-	52
Additions	-	150	55	83	288
Disposals	-	(90)	-	(93)	(183)
31 December 1999	1,451	3,629	1,644	275	6,999
<b>Depreciation</b>					
1 January 1999	212	1,895	1,216	144	3,467
Charge for the year	22	235	78	41	376
Disposals	-	(73)	-	(83)	(156)
31 December 1999	234	2,057	1,294	102	3,687
<b>Net Book Amount</b>					
31 December 1999	1,217	1,572	350	173	3,312
31 December 1998	1,239	1,627	368	141	3,375

Certain land and buildings were valued in 1988 at £1,250,000. Subsequent additions and other land and buildings are included at a cost of £201,000.

If land and buildings were stated at historic cost the cumulative cost at 31 December 1999 would be £918,000 and the net book amount £749,000.

The net book value of land and buildings is comprised of freehold properties £945,000 (1998, £960,000) and long leasehold properties £272,000 (1998, £279,000).

### 14. Stocks

	1999 £'000	1998 £'000
Raw materials and consumables	389	429
Work in progress	185	183
Finished goods and goods for resale	996	1,253
	<b>1,570</b>	<b>1,865</b>

## Notes to the Accounts continued

15. Debtors	1999 £'000	1998 £'000
Trade debtors	1,994	1,901
Prepayments	75	47
Corporation tax and ACT	-	84
	2,069	2,032

16. Creditors: Amounts falling due within one year	1999 £'000	1998 £'000
Bank overdraft	1,192	697
Bank loan	156	53
Trade creditors	1,213	1,385
Tax and social security	231	277
Corporation tax	-	22
Other creditors	21	27
Accruals	152	201
Proposed dividend	-	89
	2,965	2,751

The bank overdraft is secured by a Debenture over all property and by fixed and floating charges over the other assets of the company.

17. Creditors: Amounts falling due after more than one year	1999 £'000	1998 £'000
Bank loans repayable:		
between one and two years	131	139
between two and five years	393	405
after five years	304	442
	828	986

Bank loans are secured by a Debenture over all property and by fixed and floating charges over the other assets of the company. The amount of £156,000 repayable in 2000 is shown in creditors falling due within one year.

## Notes to the Accounts continued

**18. Financial instruments** All loans and overdrafts of the company are denominated in sterling. At 31 December 1999 the company had financial liabilities of £1,226,000 at a floating rate with interest at 1.125% or 1.25% over Base Rate and of £950,000 at a fixed rate of 8% for five years. The company at 31 December 1999 had undrawn overdraft facilities of £608,000. The overdraft facility is due for review in July 2000. The market value of the loans approximates to the carrying value.

Other short term debtors and creditors have been excluded from the above disclosures. The company's risks and policies for financial instruments are described in the Directors' Report.

**19. Provisions for liabilities and charges**

Acquisition  
Consideration  
£'000

At 1 January 1999	-
On acquisition in the year	<u>65</u>
At 31 December 1999	<u>65</u>

There is an amount unprovided of £201,000 (1998, £336,000) for deferred taxation at 30% (1998, 30%). This sum comprises £435,000 (1998, £419,000) in respect of accelerated capital allowances reduced by £234,000 (1998, £83,000) in respect of losses for tax purposes. No estimate has been made of any tax liability that might arise on the sale of the revalued properties as it is the intention of the directors to retain the properties for the foreseeable future.

**20. Share capital**

1999  
£'000

1998  
£'000

Ordinary shares of 5p per share		
Authorised:		
15,525,000 (1998, 15,525,000) shares	<u>776</u>	<u>776</u>
Allotted, called and fully paid:		
14,770,000 (1998, 14,770,000) shares	<u>738</u>	<u>738</u>

Options granted in accordance with the Executive Share Option Scheme remain unexercised at 31 December 1999 as follows:

No of shares	Latest date for exercise	Price per share to be paid
20,000	13 April 2005	31.5p

## Notes to the Accounts continued

### 21. Reserves

	Share Premium £'000	Revaluation Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 1999	715	544	2,037	3,296
Revaluation surplus released	-	(8)	8	-
Loss for the year	-	-	(427)	(427)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	715	536	1,618	2,869
	<hr/>	<hr/>	<hr/>	<hr/>

The cumulative amount of goodwill arising from acquisitions in earlier years which has been written off through reserves is £707,000.

### 22. Acquisition

On 28 May 1999 the company entered into an Agreement to purchase the Business and certain of the Assets of the sports protection equipment business carried on by Sports Protection Limited. Assets purchased under the Agreement were acquired at their fair values to the company.

	£'000
Net assets acquired:	
Plant	47
Tools	5
Stock	31
	<hr/>
	83
	<hr/>
Consideration:	
Cash	60
Deferred consideration, payable within one year	65
Costs of the acquisition	5
	<hr/>
	130
	<hr/>
Excess of the consideration over the fair value of assets acquired	47
	<hr/>

For the year ended 31 July 1998, the latest period in respect of which audited accounts are available, the turnover of Sports Protection Limited was £2.6 million and its operating profit before taxation was £19,000. Since acquisition the sports protection equipment business has been integrated into that of our Davies Odell operating location at Rushden and as a result it is impractical to isolate its profits and cash flows.

## Notes to the Accounts continued

### 23. Reconciliation of movement in shareholders' funds

	1999 £'000	1998 £'000
(Loss)/profit for the financial year	(427)	247
Dividends	-	(177)
Share capital issued	-	390
Transfer from reorganisation costs provision	-	6
	<hr/>	<hr/>
Net (reduction)/additions to shareholders' funds	(427)	466
Shareholders' funds at 1 January 1999	4,034	3,568
	<hr/>	<hr/>
Shareholders' funds at 31 December 1999	3,607	4,034
	<hr/>	<hr/>

### 24. Commitments

Capital expenditure contracted for at 31 December 1999 and for which no provision has been made in these accounts is £72,000 (1998, £64,000).

Commitments for operating lease payments due in the next year are:

	1999 £'000	1998 £'000
Land and buildings leases expiring:		
within one year	7	26
within two to five years	12	40
after five years	30	30
Other operating leases expiring:		
within one year	3	3
within two to five years	4	4
	<hr/>	<hr/>
	56	103
	<hr/>	<hr/>

## Notes to the Accounts continued

### 25. Gross cash flows

	1999 £'000	1998 £'000
>Returns on investments and servicing of finance:		
interest paid	164	92
<hr/>		
Capital expenditure:		
tangible fixed assets bought	288	608
tangible fixed assets and property held for resale sold	(27)	(127)
<hr/>		
	261	481
<hr/>		
Acquisitions:		
of Davies & Co (Kettering) Limited cash consideration	-	98
of the business of Firth Cleveland Engineering Limited cash consideration	-	1,423
of the business of Sports Protection Limited cash consideration	65	-
<hr/>		
	65	1,521
<hr/>		
Financing:		
(Reduction)/increase in debt	(55)	869
Issue of ordinary share capital	-	400
Expenses of share issue	-	(10)
<hr/>		
	(55)	1,259
<hr/>		

### 26. Analysis of changes in net debt

	at 1 Jan 1999 £'000	cash flows £'000	at 31 Dec 1999 £'000
Cash at bank and in hand	25	(7)	18
Overdrafts	(697)	(495)	(1,192)
<hr/>			
	(672)	(502)	(1,174)
<hr/>			
Debt due within one year	(53)	(103)	(156)
Debt due after one year	(986)	158	(828)
<hr/>			
	(1,711)	(447)	(2,158)
<hr/>			

**27. Subsidiary undertakings** All subsidiary undertakings are non trading, wholly owned and incorporated in the UK. A complete list of subsidiary undertakings is included with the annual return.

# Financial Record

## Five year summary

	1995	1996	1997	1998	1999
	£'000	£'000	£'000	£'000	£'000
Turnover					
Continuing operations	7,472	9,252	9,809	10,224	10,718
Profit/(loss) before taxation	594	641	382	217	(427)
Profit/(loss) after taxation	441	479	352	247	(427)
Net assets employed	3,290	3,416	3,568	4,034	3,607
Earnings/(loss) per share	3.59p	3.81p	2.76p	1.84p	(2.89p)
Dividends per share	1.50p	1.60p	1.60p	1.20p	-

## Notice of Meeting

Notice is hereby given that the forty-eighth annual general meeting of Dinkie Heel plc will be held at the Forte Posthouse Bristol Hotel, Filton Road, Hambrook, Bristol on Friday 5 May 2000 at 10.00am.

To conduct the following ordinary business:

- 1 To receive the directors' report and financial statements for the year ended 31 December 1999.
- 2 To re-elect M J Stowey as a director of the company.
- 3 To re-elect G C Martin as a director of the company.
- 4 (a) To re-appoint PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, as auditors.  
  
(b) To authorise the directors to fix the remuneration of the auditors.
- 5 To transact any other ordinary business of the company.

To conduct the following special business by proposing the following resolutions as ordinary or special resolutions as indicated below:

### Ordinary resolution

- 1 THAT the directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the Act) and in substitution for any existing power to allot relevant securities to exercise all the powers of the company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £37,750 (representing 5.1% of the total ordinary share capital in issue as at the date of this notice) during the period commencing on the date of the passing of this resolution and expiring on 4 May 2005 (both dates inclusive), but so that this authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities in pursuance of such offers or agreements;

### Special resolution

- 2 THAT subject to the passing of resolution 1 set out above:
  - (a) the directors be and they are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority given by resolution 1 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
    - (i) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the directors, to holders of ordinary shares and such other equity securities of the company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings (subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);  
or

## Notice of Meeting continued

- (ii) pursuant to the terms of any share scheme for employees approved by the members in general meeting; or
- (iii) (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of £37,750 representing 5.1% of the total ordinary share capital in issue as at the date of this notice,

and shall expire on 4 August 2001 or, if earlier, at the conclusion of the annual general meeting of the company in 2001, except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements; and

- (b) all authorities previously conferred under Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

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

Copies of the directors' service contracts will be available for inspection at St Ivel Way between 9.00am and 5.00pm on any weekday (Saturdays excepted) from 14 April 2000 until the date of the meeting and at the place of the meeting on 5 May 2000 from 9.45am until its conclusion.

On behalf of the Board  
G C Martin  
*Secretary*

St Ivel Way  
Warmley  
Bristol BS30 8TY  
13 April 2000

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# Company Information

<b>Directors</b>	C R Ball BA PhD, Managing D A S Burn MBA BSc MIMechEng, Non-executive G C Martin FCA, Financial R J Mitchell, General Manager Davies Odell D M Parkes FCA, Non-executive Chairman A J Stowey, Marketing M J Stowey, General Manager Dinkie-FCE
<b>Secretary and registered office</b>	G C Martin FCA St Ivel Way, Warmley, Bristol BS30 8TY Company number 507461
<b>Operating locations</b>	Dinkie-FCE St Ivel Way, Warmley, Bristol BS30 8TY Telephone 0117 961 3163 Fax 0117 935 2162  Davies Odell Portland Road, Rushden, Northants NN10 0DJ Telephone 01933 410818 Fax 01933 315976 and Beatrice Road, Kettering, Northants NN16 9QS Telephone 01536 513456 Fax 01536 310080 For information about Equimat – <a href="http://www.equimat.co.uk">www.equimat.co.uk</a>  Phillips Rubber Dantzic Street, Manchester M4 4JH Telephone 0161 834 5854 Fax 0161 833 1943
<b>Registrars and share transfer office</b>	Connaught St Michaels Limited PO Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU Telephone 01582 405333 Fax 01582 458908
<b>Share price information</b>	Information about the day-to-day movement of the company's share price on the London Stock Exchange can be found: on SEAQ page no. 29095 on Reuters code DINK.L from the FT Cityline, telephone 0906 003 2353
<b>Auditors</b>	PricewaterhouseCoopers, Chartered Accountants and Registered Auditors 31 Great George Street, Bristol BS1 5QD
<b>Bankers</b>	HSBC Bank plc 79 Regent Street, Kingswood, Bristol BS15 8LH
<b>Solicitors</b>	Burges Salmon Narrow Quay House, Prince Street, Bristol BS1 4AH
<b>Nominated advisor and nominated broker</b>	Rowan Dartington & Co Limited Colston Tower, Colston Street, Bristol BS1 4RD Telephone 0117 925 3377 Fax 0117 927 2067