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AVON

1985

*Avon Rubber p.l.c.
Report and Accounts*

AVON RUBBER p.l.c.

*REPORT AND ACCOUNTS
1985*



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THE YEAR IN BRIEF

Avon Rubber p.l.c.

	1985	1984
Turnover	£198,127,000	£180,402,000
Operating profit	£7,394,000	£6,858,000
Interest	£2,887,000	£3,329,000
Profit before taxation	£4,507,000	£3,529,000
Ordinary dividend	£758,000 (5.7%)	£332,000 (5%)
Dividend cover	5.31 times	8.54 times
Retained profit for the year	£3,266,000	£2,503,000
Earnings per share	30.3p	39.2p

DIRECTORS AND OFFICERS

Chairman	The Rt. Hon. Lord Farnham
Managing & Deputy Chairman	P. M. Fisher
Executive directors	J. R. Bradbeer D. L. Gibson A. K. Mitchard B. Stacey
Non Executive directors	J. M. Pinckard P. W. Ridley, C.B., C.B.E. I. Weston Smith
Company Secretary	C. L. Martin, LL.B.
Registered office	Melksham, Wiltshire
Auditors	Deloitte Haskins & Sells
Principal bankers	Midland Bank plc Brown, Shipley & Co. Limited National Westminster Bank PLC
Solicitors	Linklaters & Paines
Registrar and transfer office	Melksham, Wiltshire

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire, on Monday 10th February 1986 at 2.30 p.m. for the following purposes:

- 1 To receive and consider the report of the directors and statement of accounts at 28th September 1985 (Resolution No. 1).
- 2 To declare a dividend on the ordinary shares (Resolution No. 2).
- 3 To elect directors:
Mr. B. Stacey, who was appointed to the board in October 1985, retires under article 91 and, being eligible, offers himself for re-election (Resolution No. 3).
Mr. J. M. Pinckard retires by rotation but, being eligible, offers himself for re-election (Resolution No. 4).
- 4 To re-appoint Deloitte Haskins & Sells as auditors to the company (Resolution No. 5).
- 5 To transact any other routine business.
- 6 As special business to consider, and if thought fit, pass the following resolution, which will be proposed as a special resolution (Resolution No. 6).
"That article 76 of the articles of association of the company be deleted and replaced by the following new article 76:
"The ordinary remuneration of the directors in their capacity as directors shall from time to time be determined by the Company in general meeting by an ordinary resolution. The resolution by which such remuneration is determined may specify a fixed and/or a minimum amount for each director or may give the directors power to determine the amount of such remuneration, subject to a maximum aggregate amount stated in the resolution. Such remuneration shall accrue from day to day."
7 As special business, to consider, and if thought fit, pass the following resolution which will be proposed as an ordinary resolution (Resolution No. 7).
"That with effect from 10th February 1986 the non-executive directors of the company shall be paid such ordinary remuneration not exceeding in the aggregate £50,000 per annum as the board of directors may determine from time to time."
8 As special business to consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution (Resolution No. 8).

"(a) The directors be generally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 to exercise for the period ending on the date of the next annual general meeting, all the powers of the company to allot and to make offers or agreements to allot relevant securities up to an aggregate nominal amount of £4,434,235 provided that equity securities allotted or offered or agreed to be allotted wholly for cash otherwise than in connection with a rights issue shall not exceed the aggregate nominal amount of £886,847 (i.e. a maximum of 5% of the aggregate of the issued share capital and the amount of £4,434,235 referred to above).

(b) The directors be empowered to allot and to make offers or agreements to allot equity securities pursuant to and during the period of the said authority as if section 89(1) of the said Act did not apply to any such allotment.

(c) The said authority and the said power shall allow and enable the directors to make offers or agreements which would or might require equity securities or other relevant securities to be allotted after the expiry of the said period provided that such allotments would fall within the limitations aforesaid if made during the said period.

(d) In this resolution the expression "rights issue" means an offer of securities open for acceptance for a period fixed by the directors to holders of ordinary shares on the register on a fixed record date in proportion to their then holdings of such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory) and words and expressions defined in or for the purposes of part IV of the Companies Act 1985 shall bear the same meaning herein."

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not also be a member of the company. Only holders of ordinary shares are entitled to attend and vote at the meeting. A form of proxy is enclosed to enable ordinary shareholders to vote for or against the resolutions.

In order to be effective, forms of proxy must be received at the registered office of the company, Bath Road, Melksham, Wiltshire, not less than forty eight hours before the time fixed for the meeting.

The register of directors' interests showing any transactions of directors and their family interests in the share capital of the company and copies of all contracts of service of the directors are available for inspection during

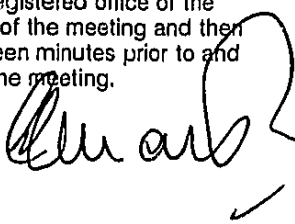
business hours at the registered office of the company until the date of the meeting and then at the meeting from fifteen minutes prior to and until the conclusion of the meeting.

By order of the Board.

C. L. Martin, Secretary

Melksham, Wiltshire

16th January 1986



Explanation of Resolution No. 8

At the annual general meeting in 1985 a special resolution was passed giving the directors, under Sections 14 and 17 of the Companies Act 1980, now sections 80 and 89 respectively of The Companies Act 1985, certain limited authority to allot shares of the company. Authority to allot additional shares in connection with the recent rights issue was given by ordinary resolution passed at the extraordinary general meeting held on 28th September 1984. These authorities will expire at the end of the annual general meeting convened by the notice contained herein.

The purpose of resolution No. 8 is to renew such authority for a further year.

This authority, if renewed, will enable your Board (i) to allot shares up to an aggregate nominal amount of £4,434,235 (i.e. a maximum of 33⅓% of the issued ordinary share capital) and (ii) to allot shares for cash with a nominal value not exceeding £886,847 (i.e. a maximum of 5% of the aggregate of the issued share capital and the amount covered by the authority in (i) above) without taking account of the pre-emptive rights described in Section 89 of the Act and otherwise than by way of a rights issue.

Your directors will continue to observe the requirements of The Stock Exchange concerning any issues of shares for cash.

The authority given by the resolution in connection with both Sections 80 and 89 of the Act will, unless subsequently renewed by the shareholders, cease at the end of the annual general meeting to be held in 1987.

No issue of shares (apart from issues in respect of the exercise of options granted or to be granted to employees under schemes approved by shareholders including the Avon Rubber p.l.c. Executive Share Option Scheme 1986 to be proposed at the Extraordinary General Meeting which has been convened to take place immediately after this meeting) is currently contemplated and none will be made which will effectively alter the control of the company without prior approval of the company in general meeting. Your directors consider that it is in the company's interest that the resolution be carried and they will vote in favour of the resolution in respect of their own shareholdings representing less than one third of one per cent of the called up ordinary share capital.

CHAIRMAN'S STATEMENT

The group profit, before tax, for the year ended 28th September 1985 was £4,507,000, an increase of approximately £1 million over that for last year. The improvement in the total profit of our subsidiaries, which increased from £2,782,000 to £4,205,000, was partly offset by a decline in the share of profits of associated companies from £747,000 to £302,000.

Interest paid in the year declined from £3,329,000 to £2,887,000 reflecting the receipt of the new money from the rights issue, offset by higher levels of interest rates.

Tyre market conditions were and will remain as competitive as ever but determined action to reduce costs enabled our tyre manufacturing and marketing companies to show a useful improvement.

Problems in the European motor industry held back our automotive component business early in the year but, with an increasing market share, our position has recovered.

Demand from other industry sectors has grown strongly. I am pleased to report that our joint venture with Bell Textron to make hovercraft skirts in the U.S.A. started production last Spring and that the build up of production of the S.10 respirator, which has been developed during the past five years, has already begun.

The continuing progress of a number of our other products, using advanced elastomer technology, has been encouraging and this will expand our business outside the traditional activities of the rubber industry.

We have been disappointed with the sharply reduced profit of Avon Lippiatt Hobbs. I referred last year to the shortage of work from public utilities and neither volume nor margins have improved. The progress of the new systems and techniques this company has developed will become apparent in the next few months. The significance of these will be carefully assessed.

To sum up, there was a useful improvement in our profit last year but we have a long way to go.

We are determined that the continued growth of our business will be based on the most efficient use of resources. To this end, we have commenced major projects in two of our factories which will enable us to match our technological leadership with the most effective manufacturing systems.

Your directors are confident that profit will show good progress in the year ahead but the main benefits of our efforts in 1985 and 1986 will become apparent in the longer term. Our confidence is expressed by the increase recommended to you in the final dividend from 3p per share to 3.5p per share.

The support of all levels of management and employees has been important to our continuing progress. The relationship between them is strong and augurs well for our future prosperity.

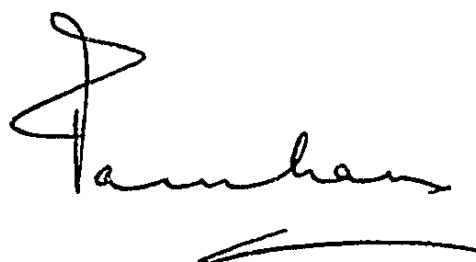
The remuneration of the non executive directors has not increased since 1981, when it was fixed at £4,500 per annum. In accordance with modern practice it is now proposed that a maximum limit be set whereby the ordinary remuneration shall not exceed £50,000 p.a. in the aggregate, but within that limit the individual fees shall be reviewed and fixed by the board of directors. If these resolutions are passed, it is intended to increase these fees from £4,500 per annum to £6,000 per annum with effect from the date of the annual meeting.

We believe that it is in the company's best interest to introduce an Executive Share Option Scheme so that options can be granted to those directors and senior employees who are most in a position to enhance the fortunes of the company. Full details of this proposal are contained in the documents accompanying the annual report.

Mr. Brian Stacey, who joined Avon in 1955, was appointed to the board on 1st October 1985. He will continue as managing director of our Industrial Polymers company, a post he has held since 1977.

At the conclusion of the annual meeting, Mr. Peter Fisher will retire as managing director. He joined Avon in 1948, was appointed to the board in 1966, and has been our chief executive for the past 10 years. We wish him well in his retirement and are very pleased that we shall not lose his valuable services completely. He has agreed to continue as a non executive director and to remain deputy chairman, a post he has held since 1979.

Mr. Anthony Mitchard who joined Avon in 1954 and was appointed to the board in 1973 will succeed Mr. Fisher as managing director.



DIRECTORS' REPORT

The directors submit the ninety fifth annual report and audited accounts of the company for the year ended 28th September 1985.

1 Principal activities and business review

The principal activities of the group are:

Manufacture of elastomeric products for industrial, commercial, marine, defence and leisure purposes

Manufacture of tyres and related products

Sale of tyres, batteries and exhaust systems in wholesale and retail markets

Marketing, installation and maintenance of underground distribution systems for the gas, oil and water industries

The business review is contained in the Chairman's Statement on pages 6 and 7.

2 Results and dividends

The group profit for the year after taxation and minority interests amounts to £4,049,000 (1984 £2,860,000). Full details are set out in the profit and loss account on page 10.

Dividends paid amount to £317,000 (1984 £157,000). Dividends proposed amount to £466,000 (1984 £200,000).

3 Directors

None of the directors had a beneficial interest in any contract to which the parent company or any subsidiary was a party during the financial year. Beneficial interests of directors, their families and trusts in shares of the company were:

	At the beginning of the year		At the end of the year	
	ord	pref	ord	pref
J. R. Bradbeer	3,315	—	6,630	—
Lord Farnham	3,125	—	6,250	—
P. M. Fisher	6,625	500	13,250	500
D. L. Gibson	4,042	500	8,084	500
A. K. Mitchard	1,000	—	2,000	—
J. M. Pinckard	2,000	—	4,000	—
P. W. Ridley	1,500	—	3,000	—
I. Weston Smith	—	—	—	—

No movements occurred in directors' shareholdings between the end of the financial year and 31st December 1985.

No director held an interest in debenture stocks of the company. No beneficial interest attached to any shares registered in the names of directors in the company's subsidiaries.

Mr. B. Stacey, who was appointed to the board in October 1985, retires under article 91 and, being eligible, offers himself for re-election. The service contract between the company and Mr. Stacey has no fixed period but is terminable by the company on three years' notice.

Mr. J. M. Pinckard retires in rotation as a director and being eligible, offers himself for re-election.

4 Substantial shareholdings

At 31st December 1985, the following held 5% or more of the company's ordinary share capital:

	% held
Standard Life Assurance Company	8.7
Morgan Nominees Limited	7.5
Britannic Assurance Public Limited	5.1

5 Political and charitable contributions

No political contributions were made during the year. Contributions for charitable purposes amounted to £5,000 (1984 £4,000).

6 Disabled persons

It is the policy of the company to encourage the employment and development of suitable disabled persons.

No unnecessary limitations are placed on the type of work which they can perform and the policy ensures that in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices.

The policy provides that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment.

7 Employee involvement

Since the formation of the Joint Works Council at Melksham in 1936, and its more recent counterparts elsewhere in the group, formal consultation with employees has been

recognised by the company as being of great value. Regular consultation takes place so that employees' views are taken into account in all matters which may affect their interests. Financial and economic factors affecting the performance of the group are disclosed to, and discussed with them.

The savings related share option scheme, which has been in operation since 1979, encourages participation in the company's activities.

Information is disseminated to all employees by means of briefing groups, notice boards and the bimonthly publication of Avon News. Pension fund matters are communicated through site committees and the publication of a special newspaper.

8 Land and buildings

The majority of the group's land and buildings were valued in 1980. Since they are necessary for the purposes of the group's activities the board considers that no adjustment need be made to the book value of such assets.

9 Research and development

The company carries out selective programmes of research to improve its processes and its ability to develop new products for customers. Use is made of schemes supported by government departments and university facilities. The teaching company scheme, carried out in association with the Mechanical Engineering Department of Bristol University, and funded jointly by the company and The Science and Engineering Research Council, is now in its second year and is proving very successful.

Most development work is closely related to the needs of our customers and many joint programmes are in progress with them, affecting all areas of our manufacturing businesses. Particular success has been achieved in development work for the oil industry both on land and offshore.

Support is received from some of our suppliers who undertake development work associated with the improvement of properties of a wide range of materials and processing technologies.

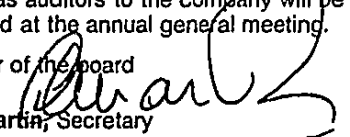
10 Close companies

The 'close company' provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.

11 Auditors

A resolution to re-appoint Deloitte Haskins & Sells as auditors to the company will be proposed at the annual general meeting.

By order of the board

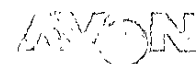

C. L. Martin, Secretary
Melksham, Wiltshire
16th January 1986

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 28th September 1985

		1985 £'000	1984 £'000
Turnover	Note	198,127	180,402
Cost of Sales	2	(169,207)	(153,149)
Gross profit		28,920	27,253
Distribution costs		(10,206)	(9,562)
Administrative expenses		(12,319)	(12,372)
Other operating income		663	751
Share of profits of related companies	6	302	747
Interest receivable		34	49
Amounts written off investments		—	(8)
Operating profit		7,394	6,858
Interest payable and similar charges	7	(2,887)	(3,329)
Profit on ordinary activities before taxation		4,507	3,529
Tax on profit on ordinary activities	4 & 5 10	(413)	(643)
Profit on ordinary activities after taxation		4,094	2,886
Minority interests		(45)	(26)
Profit for the year		4,049	2,860
Dividends	9	(783)	(357)
Retained profit for the year	26	3,266	2,503
Retained profit in parent company £42,000 (1984 £502,000)	27		
Earnings per share	12	30.3p	39.2p

NOTES ON THE ACCOUNTS



Avon Rubber p.l.c.

1 Under the Companies Act 1985, the company is not required to present its own profit and loss account.

2 Turnover

	1985	1984
	£'000	£'000
External sales excluding VAT		
By class of business		
Tyres/Motorway	124,521	110,665
Industrial Polymers	41,570	39,176
Lippiatt Hobbs	23,901	22,988
Inflatables	8,135	7,573
	<u>198,127</u>	<u>180,402</u>
By market		
United Kingdom	148,191	137,529
Other E.E.C. countries	25,202	19,080
Other European countries	8,131	7,676
North America	12,486	12,065
Other countries	4,117	4,032
	<u>198,127</u>	<u>180,402</u>

3 Foreign exchange

	1985	1984
	£'000	£'000
Net loss dealt with in reserves	(287)	232
Net gain dealt with in profit and loss account	14	—
	<u>(273)</u>	<u>232</u>

4 Profit on ordinary activities before taxation

	1985	1984
	£'000	£'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	46	87
and after charging:		
Depreciation for year:		
intangible fixed assets	12	12
tangible fixed assets	3,987	3,758
Auditors' remuneration	174	165
Operating leases:		
plant and machinery	3,264	2,991
other assets	1,681	1,262

Consequent on the capitalisation of finance leases there have been reclassifications of items within the 1984 comparative figures. There is no change to the reported profits of that year.

5 Profit by class of business

	1985	1984
	£'000	£'000
Tyres/Motorway	3,560	2,812
Industrial Polymers	2,575	2,109
Lippiatt Hobbs	226	471
Inflatables	731	719
Operating profit before interest	<u>7,032</u>	<u>6,111</u>
Interest	<u>(2,887)</u>	<u>(3,329)</u>
	<u>4,205</u>	<u>2,782</u>
Related companies	<u>302</u>	<u>747</u>
	<u>4,507</u>	<u>3,529</u>

6 Related companies

	1985	1984
	£'000	£'000
Group share of profit	<u>302</u>	<u>747</u>
Less: taxation received in dividend	<u>139</u>	<u>345</u>
	<u>22</u>	<u>43</u>
	<u>161</u>	<u>388</u>
Retained by related companies	<u>141</u>	<u>359</u>

Name of company	Share Capital	Held by the group	Accounting Date	Basis of Consolidation
Ames-Avon Industries, U.S.A.	2,000 shares of no par value	49%	31 December	Audited accounts for 1984 Unaudited accounts for 6 months to September 1985
Avon Export Services Ltd. Kenya	1,400 shares of 20 shillings each	39%	30 September	Audited accounts for 1985
Avon Marketing Services (Kenya) Ltd. Kenya	130,000 shares of 20 shillings each	35%	30 September	Audited accounts for 1985
Avon Rubber Company (Kenya) Ltd. Kenya	205,000 shares of 20 shillings each	47%	30 September	Audited accounts for 1985
Avonride Ltd. England	100,000 shares of £1 each	25%	31 December	Audited accounts for 1984
Société Française des Caoutchoucs Spencer Moulton, France	44,000 shares of 50 francs each	50%	30 September	Unaudited accounts for 1985

Related companies are also associated companies within the meaning of Statement of Standard Accounting Practice No. 1.

NOTES ON THE ACCOUNTS

continued

7 Interest payable and similar charges

	1985 £'000	1984 £'000
On bank loans, overdrafts and other loans repayable:		
within 5 years, not by instalments	1,212	1,852
within 5 years, by instalments	43	65
	<u>1,255</u>	<u>1,917</u>
wholly or partly in more than 5 years	97	100
	<u>1,352</u>	<u>2,017</u>
Other interest payable and similar charges	1,535	1,312
	<u>2,887</u>	<u>3,329</u>

Other interest payable and similar charges includes £206,000 (1984 £216,000) in respect of finance leases.

8 Trading results of operations outside the United Kingdom

	1985 £'000	1984 £'000
Contribution to group sales	6,751	7,088
E.E.C. countries	3,824	3,391
Other European countries	4,469	4,252
North America	975	1,135
Other countries	<u>16,019</u>	<u>15,866</u>
Contribution to group profit	1985 £'000	1984 £'000
E.E.C. countries	(32)	(99)
Other European countries	193	140
North America	44	67
Other countries	<u>(84)</u>	<u>75</u>
Operating profit before interest	121	183
Interest	<u>(109)</u>	<u>(76)</u>
	<u>12</u>	<u>107</u>

9 Dividends

	1985 £'000	1984 £'000
Paid:		
4.9% cumulative preference shares	25	?
Ordinary shares 2.2% interim (1984 2%)	292	132
Proposed:		
Ordinary shares 3.5% final (1984 3%)	466	200
	<u>783</u>	<u>357</u>

10 Taxation

a The taxation charge, based on the results for the year, is made up as follows:

	1985 £'000	1984 £'000
United Kingdom corporation tax	357	29
United Kingdom advance corporation tax	(253)	153
Overseas taxes	170	116
Related companies	139	345
	<u>413</u>	<u>643</u>

b The charge for United Kingdom corporation tax is in respect of the profits for the year reduced by an excess of capital allowances over depreciation of £335,000 (1984 £119,000) and utilisation of tax losses of £2,973,000 (1984 £1,656,000) from previous years.

c The credit for United Kingdom advance corporation tax is in respect of tax previously written off now utilised against current mainstream taxation.

d If deferred taxation was accounted for on the liabilities basis at 35% (1984 35%), the potential liability at the year end would be:

	1985 £'000	1984 £'000
Capital allowances	2,988	2,264
Other timing differences	153	31
Relief for tax losses	(748)	(317)
Advance corporation tax	<u>(1,264)</u>	<u>(1,113)</u>
	<u>1,129</u>	<u>865</u>

There are tax losses of £4,240,000 (1984 £4,979,000), of which £1,387,000 (1984 £1,993,000) relates to stock appreciation relief, available against future profits of certain subsidiary companies.

e Accumulated profits retained by overseas subsidiary companies, amounting to £764,000 (1984 £680,000), would be subject to additional taxation of approximately £137,000 (1984 £163,000) if distributed to their parent companies in the United Kingdom.

11 Employees

	1985 £'000	1984 £'000
Staff costs during the year were:		
Wages and salaries	42,933	40,740
Social security costs	3,192	3,402
Other pension costs	3,136	2,930
	<u>49,261</u>	<u>47,072</u>

The average weekly number of employees including those overseas during the year was:

	1985 Numbers	1984 Numbers
Tyres/Motorway	2,952	3,014
Industrial Polymers	1,436	1,470
Lippiatt Hobbs	486	547
Inflatables	301	255
Parent	83	88
	<u>5,264</u>	<u>5,374</u>

	1985 £'000	1984 £'000
Directors' remuneration:		
Fees	14	14
Other emoluments	235	230
	<u>249</u>	<u>244</u>

	1985 £'000	1984 £'000
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The directors' remuneration disclosed above includes amounts paid to:

The chairman	8	8
The highest paid director	55	52

	1985 Numbers	1984 Numbers
Other directors' emoluments:		
Up to £5,000	3	3
£40,001—£45,000	2	1
£45,001—£50,000	1	2

Other employees' remuneration

The number of employees of the group including those overseas, other than directors of the parent company, whose emoluments exceeded £30,000 was:

	1985 Numbers	1984 Numbers
£30,001—£35,000	6	8
£35,001—£40,000	3	2
£40,001—£45,000	2	1
£45,001—£50,000	1	—
£50,001—£55,000	1	1

There were no employees of the parent company, other than directors, whose emoluments exceeded £30,000. (1984 nil)

12 Earnings per share

Earnings per share, calculated in accordance with Statement of Standard Accounting Practice No. 3, is based on a profit of £4,024,000 (1984 £2,835,000) and 13,301,000 ordinary shares, being the weighted average of the shares in issue during the year (1984 7,229,000).

CONSOLIDATED BALANCE SHEET

at 28th September 1985

	Note	1985 £'000	1984 £'000
Fixed Assets			
Intangible assets	15	2,207	2,012
Tangible assets	13	23,247	22,373
Investments	16	1,351	1,424
		<u>26,605</u>	<u>25,809</u>
Current Assets			
Stocks	19	30,562	27,809
Debtors	20	40,272	46,213
Cash at bank and in hand		1,544	389
		<u>72,378</u>	<u>74,411</u>
Creditors			
Amounts falling due within one year	22	58,872	62,947
Net Current Assets		<u>13,506</u>	<u>11,464</u>
Total Assets Less Current Liabilities		<u>40,311</u>	<u>37,273</u>
Creditors			
Amounts falling due after one year	22	5,159	5,059
Net Assets		<u>35,152</u>	<u>32,214</u>
Capital and Reserves			
Share capital	25	13,802	13,800
Share premium account	26	5,489	5,489
Revaluation reserve	26	1,738	1,767
Other reserves	26	80	404
Profit and loss account	26	13,764	10,468
Shareholders' Funds		<u>34,873</u>	<u>31,928</u>
Minority Interests		<u>279</u>	<u>286</u>
		<u>35,152</u>	<u>32,214</u>

These accounts were approved by the board of directors on 15th January 1986 and were signed on its behalf by:



Farnham



P. M. Fisher

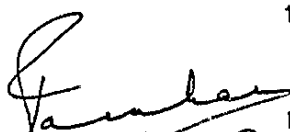
BALANCE SHEET


Avon Rubber p.l.c.

at 28th September 1985

	Note	1985 £'000	1984 £'000	1984 £'000
Fixed Assets				
Tangible assets	14		5,894	5,377
Investments	17		3,848	3,571
			<u>9,742</u>	<u>8,948</u>
Current Assets				
Debtors	21	36,313		46,612
Cash at bank and in hand		<u>—</u>		<u>1</u>
		36,313		46,613
Creditors				
Amounts falling due within one year	23	17,466	18,847	19,816
Net Current Assets			<u>28,589</u>	<u>28,764</u>
Total Assets Less Current Liabilities				
Creditors			2,409	2,628
Amounts falling due after one year	23		<u>26,180</u>	<u>26,136</u>
Net Assets				
Capital and Reserves				
Share capital	25		13,802	13,800
Share premium account	27		5,489	5,489
Revaluation reserve	27		299	303
Profit and loss account	27		6,590	6,544
Shareholders' Funds			<u>26,180</u>	<u>26,136</u>

These accounts were approved by the board of directors on 15th January 1986 and were signed on its behalf by:


Farnham


P. M. Fisher

NOTES ON THE ACCOUNTS

continued

13 Tangible fixed assets—Group

	Freeholds £'000	Long lease- holds £'000	Short lease- holds £'000	Plant and machinery £'000	Total £'000
Cost and valuation:					
Owned assets	8,320	1,003	844	33,494	43,661
Leased assets	—	—	—	6,959	6,959
At 29th September 1984	8,320	1,003	844	40,453	50,620
Exchange differences	(7)	—	(1)	(23)	(31)
Additions at cost	55	10	78	5,136	5,279
Disposals	(9)	—	(62)	(1,758)	(1,829)
At 28th September 1985	8,359	1,013	859	43,808	54,039
Depreciation:					
On owned assets	494	78	398	24,171	25,141
On leased assets	—	—	—	3,106	3,106
At 29th September 1984	494	78	398	27,277	28,247
Exchange differences	(1)	—	—	(11)	(12)
For the year	132	20	50	3,785	3,987
On disposals	(1)	—	(60)	(1,369)	(1,430)
At 28th September 1985	624	98	388	29,682	30,792
Net book value at 28th September 1985	7,735	915	471	14,126	23,247
Net book value at 29th September 1984	7,826	925	446	13,176	22,373
Fixed assets comprise:					
Cost	1,316	44	513	43,808	45,681
Valuation 1980	7,043	969	346	—	8,358
	8,359	1,013	859	43,808	54,039
Basis of the 1980 valuation was open market and existing use.					
Net tangible assets comprise:					£,000
Owned assets					18,320
Leased assets					4,927
					23,247
Depreciation for the year comprises:					
Owned assets					2,726
Leased assets					1,261
					3,987

If land and buildings had not been revalued they would have been shown in the accounts at the following amounts:

	Freeholds £'000	Long lease- holds £'000	Short lease- holds £'000
Cost	8,630	534	725
Depreciation	2,269	116	323
Net book value at 28th September 1985	6,361	418	402
Net book value at 29th September 1984	6,572	415	394

14 Tangible fixed assets—Avon Rubber p.l.c.

	Freeholds £'000	Long lease- holds £'000	Plant and machinery £'000	Total £'000
Cost and valuation:				
Owned assets	4,123	615	415	5,153
Leased assets	—	—	1,129	1,129
At 29th September 1984	4,123	615	1,544	6,282
Additions at cost	5	—	444	449
Inter company transfers	603	—	(10)	593
Disposals	—	—	(268)	(268)
At 28th September 1985	4,731	615	1,710	7,056
Depreciation:				
On owned assets	252	49	241	542
On leased assets	—	—	363	363
At 29th September 1984	252	49	604	905
For the year	63	12	245	320
On inter company transfers	49	—	(12)	37
On disposals	—	—	(100)	(100)
At 28th September 1985	364	61	737	1,162
Net book value at 28th September 1985	4,367	554	973	5,894
Net book value at 29th September 1984	3,871	566	940	5,377
Fixed assets comprise:				
Cost	743	—	1,710	2,453
Valuation 1980	3,988	615	—	4,603
	4,731	615	1,710	7,056
Basis of the 1980 valuation was open market and existing use.				£'000
Net tangible assets comprise:				
Owned assets				5,106
Leased assets				788
				5,894
Depreciation for the year comprises:				
Owned assets				121
Leased assets				199
				320

If land and buildings had not been revalued they would have been included in the accounts at the following amounts:

	Freeholds £'000	Long lease- holds £'000
Cost	6,115	327
Depreciation	1,958	80
Net book value at 28th September 1985	4,157	247
Net book value at 29th September 1984	3,793	254

NOTES ON THE ACCOUNTS

continued

15 Intangible fixed assets

	Goodwill on consolidation £'000	Purchased goodwill £'000	Total £'000
Cost at 29th September 1984	1,498	538	2,036
Additions	—	207	207
Cost at 28th September 1985	1,498	745	2,243
Amount written off at 29th September 1984	—	24	24
Charge for year	—	12	12
Amount written off at 28th September 1985	—	36	36
Net book value at 28th September 1985	1,498	709	2,207
Net book value at 29th September 1984	1,498	514	2,012

16 Fixed asset investments—Group

	£'000	Unlisted related companies £'000	Other unlisted investments £'000	Total £'000
Cost:				
At 29th September 1984		354	17	371
Exchange differences		(27)	—	(27)
Additions		14	—	14
At 28th September 1985		341	17	358
Amount written off at 28th September 1985		—	(8)	(8)
Group share of undistributed profits in related companies:				
At 29th September 1984	1,061			
For the year	141			
Unrealised exchange differences	(201)			
At 28th September 1985		1,001	—	1,001
Net book value at 28th September 1985		1,342	9	1,351
Net book value at 29th September 1984		1,415	9	1,424

A list of related companies appears on page 24

17 Fixed asset investments — Avon Rubber p.l.c.

	Subsidiary Companies £'000	Unlisted related company £'000	Total £'000
Cost:			
At 29th September 1984	4,291	25	4,316
Additions	277	—	277
At 28th September 1985	4,568	25	4,593
Amount written off:			
At 28th September 1985	745	—	745
Net book value at 28th September 1985	3,823	25	3,848
Net book value at 29th September 1984	3,546	25	3,571

A list of subsidiary and related companies appears on page 24.

18 Other financial commitments

	1985		1984	
	Group £'000	Parent £'000	Group £'000	Parent £'000
Capital expenditure: owned	569	4	467	8
leased	276	—	417	—
Future capital expenditure	1,413	—	1,033	4

Capital expenditure represents the amount committed at the end of the financial year for which no provision has been made in the accounts.

Future capital expenditure represents the amount authorised by the board at the end of the financial year for which no orders had been placed at that date.

The annual commitments for non-cancellable operating leases were:—

	1985		1984	
	Land & buildings £'000	Other assets £'000	Land & buildings £'000	Other assets £'000
For leases expiring:				
Within 1 year	40	105	48	75
In 2-5 years	408	155	219	171
Over 5 years	1,401	46	1,541	30
	<u>1,849</u>	<u>306</u>	<u>1,808</u>	<u>276</u>

The majority of leases of land and buildings are subject to rent reviews.

19 Stocks

	1985 £'000	1984 £'000
Raw materials	3,937	3,586
Work in progress	6,412	5,719
Finished goods	20,213	18,504
	<u>30,562</u>	<u>27,809</u>

20 Debtors — Group

Amounts falling due within one year:	1985 £'000	1984 £'000
Trade debtors	37,333	33,517
Amounts owed by related companies	94	185
Other debtors	1,443	917
Unpaid share capital	—	10,307
Prepayments	1,050	1,140
	<u>39,920</u>	<u>46,066</u>
Amounts falling due after more than one year:		
Trade debtors	15	—
Other debtors	337	147
	<u>352</u>	<u>147</u>
Total debtors	<u>40,272</u>	<u>46,213</u>

21 Debtors — Avon Rubber p.l.c.

Amounts falling due within one year:	1985 £'000	1984 £'000
Trade debtors	35	40
Amounts owed by subsidiary companies	17,884	18,177
Other debtors	—	25
Unpaid share capital	—	10,307
Prepayments	50	63
	<u>17,977</u>	<u>28,612</u>
Amounts falling due after more than one year:		
Amounts owed by subsidiary companies	18,000	18,000
Other debtors	336	—
	<u>18,336</u>	<u>18,000</u>
Total debtors	<u>36,313</u>	<u>46,612</u>

NOTES ON THE ACCOUNTS

continued

22 Creditors—Group				23 Creditors—Avon Rubber p.l.c.			
Amounts falling due within one year:	1985		1984	Amounts falling due within one year:	1985		1984
	£'000		£'000		£'000		£'000
Current instalments due on loan	270		281	Current instalment due on loan	270		270
Bank overdrafts and loans (secured £5,306,000) (1984, £13,673,000)	6,464		14,828	Bank overdrafts	6,364		15,567
Trade creditors	33,805		29,100	Trade creditors	216		154
Finance leases	1,621		1,283	Finance leases	255		223
Bills of exchange payable	5,500		5,677	Acceptance credits	1,775		3,000
Acceptance credits (secured)	1,775		3,000	Amounts owed to subsidiary companies	5,471		4,796
Corporation tax	541		222	Corporation tax	325		142
Other taxation and social security payable	4,203		3,410	Other taxation and social security payable	1,466		930
Other creditors	487		977	Other creditors	196		809
Accruals	3,740		3,969	Accruals	662		706
Proposed dividend on ordinary shares	466		200	Proposed dividend on ordinary shares	466		200
	<u>58,872</u>		<u>62,947</u>		<u>17,466</u>		<u>26,797</u>
Amounts falling due after more than one year:	1985		1984	Amounts falling due after more than one year:	1985		1984
	£'000		£'000		£'000		£'000
6½% 1st mortgage debenture stock 1983/88 (secured)	750		775	6½% 1st mortgage debenture stock 1983/88	750		775
7½% 1st mortgage debenture stock 1985/90 (secured)	1,059		1,059	7½% 1st mortgage debenture stock 1985/90	1,059		1,059
Loans (secured)	400	955		Loan	270	540	
less current instalments due on loans	270	130	281	less current instalment due on loan	270	—	270
			674				270
Trade Creditors	141		115	Trade creditors	—		10
Finance leases	3,028		2,382	Finance leases	600		507
Up to 5 years	13		27	Up to 5 years	—		7
Over 5 years	38		26	Over 5 years	—		—
Corporation tax			26		<u>2,409</u>		<u>2,628</u>
	<u>5,159</u>		<u>5,059</u>				
The 6½% 1st mortgage debenture stock 1983/88 is repayable, at par, not later than 30th September 1988.				The assets of the company are subject to charges in respect of its debenture stocks and borrowings and the borrowings of certain subsidiary companies amounting in total to £9,042,000 (1984 £19,047,000).			
The 7½% 1st mortgage debenture stock 1985/90 is repayable, at par, not later than 5th December 1990.				24 Contingent liabilities			
The borrowings of the group are repayable:					1985		1984
	1985		1985		Group		Parent
	£'000		£'000		£'000		£'000
Bank overdrafts and loans	6,734		1,775	a Overdraft facilities and loans of subsidiary companies	—		982
In 1 year or less, or on demand	—		750	b Bills under discount	716		—
Between 2 and 5 years	—		1,189	c Bills payable endorsed	—		1,726
Over 5 years	—		—	d Other guarantees	176		71
	<u>6,734</u>		<u>3,714</u>		<u>892</u>		<u>2,779</u>
	1984		1984		1984		1984
	£'000		£'000		Group		Parent
Bank overdrafts and loans	15,098		3,011	a Overdraft facilities and loans of subsidiary companies	—		1,405
In 1 year or less, or on demand	270		52	b Bills under discount	587		—
Between 1 and 2 years	—		809	c Bills payable endorsed	—		1,753
Between 2 and 5 years	—		1,377	d Other guarantees	258		81
Over 5 years	—		—		<u>845</u>		<u>3,239</u>
	<u>15,368</u>		<u>5,249</u>				

25 Share capital

	1985 £'000	1984 £'000		1985 £'000	1984 £'000
Authorised:			Called up:		
19,000 500 Ordinary shares of £1 each	19,000	19,000	Ordinary shares of £1 each:		
500,000 4.9% cumulative preference shares of £1 each	500	500	13,302,210 (1984 6,650,310)	13,302	6,650
	<u>19,500</u>	<u>19,500</u>	allotted and fully paid		
			6,649,970 provisionally	—	6,650
			allotted and nil paid		
			500,000 4.9% cumulative		
			preference shares of £1 each	500	500
			allotted and fully paid		
				<u>13,802</u>	<u>13,800</u>

Under the savings related share option scheme, employees of the group have options to purchase 65,280 ordinary shares of £1 each, exercisable between February 1986 and September 1992 at prices varying from £1.00 to £2.61 per share.

26 Share premium account and reserves — Group

	Share Premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000
At 29th September 1984	5,489	1,767	404	10,468
Revaluation transfer on disposals	—	7	—	(43)
Transfer from revaluation reserve to profit and loss	—	(36)	—	36
Unrealised exchange differences	—	—	(324)	37
Retained profit for year	—	—	—	3,266
At 28th September 1985	<u>5,489</u>	<u>1,738</u>	<u>80</u>	<u>13,764</u>
Avon Rubber p.l.c. and subsidiaries	5,489	1,738	73	12,770
Related companies	—	—	7	994
At 28th September 1985	<u>5,489</u>	<u>1,738</u>	<u>80</u>	<u>13,764</u>

27 Share premium account and reserves — Avon Rubber p.l.c.

	Share Premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 29th September, 1984	5,489	303	6,544
Transfer from revaluation reserve to profit and loss	—	(4)	4
Retained profit for year	—	—	42
At 28th September, 1985	<u>5,489</u>	<u>299</u>	<u>6,590</u>

SOURCE AND APPLICATION OF FUNDS

For the year ended 28th September 1985

	£'000	1985 £'000	£'000	1984 £'000
Source of funds				
From internal sources:				
Profit (excluding minority interests) before tax		4,462		3,503
Adjustments for items not involving the movement of funds:				
Depreciation and amounts written off assets	3,999		3,770	
Revaluation surplus now realised	(36)		(51)	
Minority interests	(7)		42	
Profits retained in related companies	(280)		(704)	
		3,676		3,057
Total generated from operations		8,138		6,560
From external sources:				
Issue of shares for cash		9,900		13
Increase in funds		18,038		6,573
Other adjustments for items not involving the movement of funds:				
Reduction in unrealised exchange gains on current assets		(46)		6
		17,992		6,579
Application of funds				
Net increase in fixed assets, goodwill and investments	5,095		4,395	
Dividends paid	517		290	
Tax paid	252		237	
Redemption of debentures	25	5,889	51	4,973
Increase in working capital:				
Stocks	2,753		3,070	
Debtors	4,042		1,595	
Creditors	(5,021)		(4,338)	
Finance leasing	(970)	804	(971)	(644)
Movement in net liquid funds				
Reduction in bank borrowing	10,074		2,250	
Reduction of acceptance credits	1,225	11,299	—	2,250
		17,992		6,579

ACCOUNTING POLICIES

Avon Rubber p.l.c.

For the year ended 28th September 1985

The bases set out below are those used in the group and parent company accounts in the year ended 28th September 1985, and, except where indicated, are consistent with those used last year.

Accounts are prepared on the historical cost basis, modified by the inclusion of certain fixed assets at valuation.

Accounting period

The company's accounting period ends on the Saturday nearest to 30th September each year. The period ended 28th September 1985 consists of 52 weeks.

Stocks

a Finished products are valued at the lower of purchase price, manufacturing cost or net realisable value, after taking account of any slow moving or obsolete items. Distribution and administration expenses are not included in the valuation.

b Work in progress is valued at material cost plus manufacturing labour and overheads.

c Raw materials are valued at purchase price but reduced to net replacement cost if lower.

Leased assets

Assets which are the subject of finance leases are dealt with as tangible assets and equivalent liabilities at the cost of outright purchase.

Rentals are apportioned between reduction of the liabilities and finance charges calculated on a straight line basis over the primary lease period.

This is a change in policy from previous years and comparative figures have been restated.

Depreciation

a Purchased goodwill is amortised on the straight line method over 50 years.

b No depreciation is provided on freehold land where its value can be separately ascertained. In all other cases, freehold properties are depreciated on the straight line method at 2% per annum.

c Leasehold properties are amortised over the life of the lease by equal annual instalments.

d Plant and machinery is depreciated on the straight line method at rates varying between 7½% and 50% per annum.

Research and development

All research and development costs are written off in the year in which they are incurred.

Taxation

No provision for deferred taxation is made where there is reasonable evidence that no liability is likely to arise in the foreseeable future as a result of reversal of timing differences.

Consolidation

The consolidated accounts include the accounts of all subsidiary companies and the share of undistributed profits, less appropriate taxation, of related companies. The related companies are also associated companies within the meaning of Statement of Standard Accounting Practice No. 1.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future.

Exchange profits and losses arising from the translation of the balance sheets of foreign subsidiary companies are taken to reserves. All other exchange differences are taken to profit and loss account.

SUBSIDIARY AND RELATED COMPANIES

at 28th September 1985

Held by Parent Company

	Country of incorporation
Avon Industrial Polymers Limited	England
Avon Inflatables Limited	England
Avon Lippiatt Hobbs Limited (including preference shares)	England
ALH Systems Limited	England
Avon Lippiatt Hobbs (Contracting) Limited	England
Avon Rubber Company East Africa Limited	England
Avon Technical Services Limited	England
Avon Tyres Limited	England
Motorway Tyres and Accessories Limited	England

Held by Subsidiary Companies

ALH Systems Inc.		U.S.A.
Avon-Ames Limited	51%	England
Avon Illinois Inc.		U.S.A.
Avon Inflatables of Canada Limited		Canada
Avon Reifen (Deutschland) GmbH		W. Germany
Avon Rubber (Australia) Pty Limited	51%	Australia
Avon (Suisse) SA		Switzerland
Bell Avon Inc.	80%	U.S.A.
Motorway Tyres & Batteries Limited		Eire
Norbron Resins Limited (including preference shares)	84%	England

Related Companies

Ames-Avon Industries	49%	U.S.A.
Avon Export Services Limited	39%	Kenya
Avon Marketing Services (Kenya) Limited	35%	Kenya
Avon Rubber Company (Kenya) Limited	47%	Kenya
Avonride Limited (held by parent company)	25%	England
Société Française des Caoutchoucs		
Spencer Moulton	50%	France

Shareholdings are ordinary shares and are wholly owned except where shown. Related company shareholdings are held by subsidiary companies except where shown.

The country of incorporation is the principal country of operation.

A number of non-trading and small subsidiary and related companies have been omitted on the grounds of immateriality.

AUDITORS' REPORT

Avon Rubber p.l.c.

To the members of Avon Rubber p.l.c.

We have audited the accounts on pages 10 to 24 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 28th September 1985, and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Act 1985.

Deloitte Haskins & Sells

Deloitte Haskins & Sells

Chartered Accountants

Bristol

16th January 1986

FIVE YEAR RECORD

	1985 £'000	1984 £'000	1983 £'000	1982 £'000	1981 £'000
Turnover	198,127	180,402	171,829	151,160	153,916
Group profit					
Balance on trading	11,091	9,881	7,568	4,834	4,722
Share of profits of related companies	302	747	313	148	101
	11,393	10,628	7,881	4,982	4,823
Depreciation	3,999	3,770	2,580	2,677	2,799
Operating profit	7,394	6,858	5,301	2,305	2,024
Interest	2,887	3,329	2,982	3,346	2,786
Profit before taxation	4,507	3,529	2,319	(1,041)	(762)
Taxation	413	643	423	215	154
Profit after taxation	4,094	2,886	1,896	(1,256)	(916)
Minority interests	45	26	23	(56)	(10)
	4,049	2,860	1,873	(1,200)	(906)
Extraordinary items	—	—	—	(4,796)	(1,685)
Profit attributable to Avon					
Shareholders	4,049	2,860	1,873	(5,996)	(2,591)
Preference dividends	25	25	25	25	24
Ordinary dividends	758	332	199	66	199
Profits retained	3,266	2,503	1,649	(6,087)	(2,814)
Capital employed					
Fixed assets, investments and goodwill	26,805	25,809	21,717	20,768	20,542
Working capital	18,795	16,715	21,460	22,252	23,366
Rights issue	—	10,307	—	—	—
Assets employed	45,600	52,831	43,177	43,020	43,908
Financed by					
Ordinary share capital	13,302	13,300	6,637	6,637	6,637
Reserves attributable to Avon shareholders	21,071	18,128	12,196	10,345	17,015
Ordinary shareholders' capital employed	34,373	31,428	18,833	16,982	23,652
Preference share capital	500	500	500	500	500
Minority shareholders' interests	279	286	244	219	220
Debenture stocks	1,809	1,834	1,885	1,926	1,973
Other borrowings	8,639	18,783	21,715	23,393	17,563
Capital employed	45,600	52,831	43,177	43,020	43,908
Earnings per share	30.3p	39.2p*	25.7p*	(17.1)p*	(12.9)p*
Dividends per share	5.7p	5p	3p	1p	3p
Dividend cover (times)	5.31	8.54	9.29	—	—

*Adjusted for rights issue

SHAREHOLDERS AND FINANCIAL CALENDAR

Avon Rubber p.l.c.

Shareholders

On 31st December 1985 the company had the following number of share and stockholders:

£1 ordinary shares	2,314
4.9% cumulative preference shares	89
6¼% 1st mortgage debenture stock 1983/88	40
7½% 1st mortgage debenture stock 1985/90	90

Of the ordinary shareholders 1,487 (64.3%) had holdings of 1,000 shares or less.

Financial calendar

Interim figures are announced in May and final results in December.

Interest on 6¼% 1st mortgage debenture stock 1983/88 paid on 31st March and 30th September.

Interest on 7½% 1st mortgage debenture stock 1985/90 paid on 6th December and 6th June

Preference dividend paid on 31st December and 30th June.

Interim ordinary dividend declared in May and paid in July.

Final ordinary dividend announced together with the results for the year in December and paid in February.

Annual general meeting held in February.