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AVON

1979



Avon Rubber Company Limited
Report and Accounts



Report and Accounts **1979**

Contents

Notice of meeting	2
The year in brief	3
Chairman's statement	4, 5
Directors and officers	6
Directors' report	6, 7
Consolidated profit and loss account	8
Notes on the accounts	9, 12, 13, 14, 15
Consolidated balance sheet	10
Balance sheet	11
Source and application of funds	16
Accounting policies	17
Auditors' report	17
Ten year record	18, 19
Shareholders and financial calendar	20
Subsidiary and associated companies	20

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 21st January 1980 at 12.30 p.m. for the following purposes:

- 1 To receive and consider the report of the directors and statement of accounts at 29th September 1979 (Resolution No. 1)
- 2 To declare a dividend on the ordinary shares (Resolution No. 2)
- 3 To elect a director
Mr. R. S. Deacon, having attained the age of 70, retires under the provisions of the Companies Act 1948, but being eligible, offers himself for re-election (Resolution No. 3)
- 4 To re-appoint Deloitte Haskins & Sells as auditors to the company (Resolution No. 4)
- 5 To transact any other routine business

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.

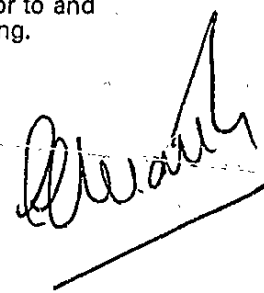
In order to be effective, forms of proxy must be received at the registered office of the company, Bath Road, Melksham, Wiltshire, not less than forty eight hours before the time fixed for the meeting.

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



27th December 1979

The year in brief

	1979	1978
Turnover	£150,558,000	£118,867,000
Profit before taxation	£2,553,000	£4,414,000
Profit after taxation	£2,038,000	£3,654,000
Ordinary dividend	10.3571%	10.3571%
Dividend cover	2.81 times	4.68 times
Profit carried forward	£1,243,000	£2,531,000
Earnings per share	29.1p	53.2p

Chairman's statement

The past year proved particularly difficult due to the number of external factors which have adversely affected our planned performance. The continued decline of the United Kingdom vehicle industry, the road haulage dispute, high interest rates, the strength of sterling and the engineering strike all detracted from both sales and profit.

Despite these setbacks, we have achieved the level of profit forecast at the time of the interim statement and your board recommends a final dividend of 6.3571p per share, maintaining the total at 10.3571p per share, the same as last year.

Our policy of investing into areas of higher technology, both in process and product development, continues. Progressively we are reducing dependency on tyres and the United Kingdom motor industry, although these will continue to be important to us. Further improvements in productivity in every part of our business are being sought to offset the intensity of world-wide competition for many products which are now facing limited growth or even recession.

In the early months of the year we completed the acquisition of the outstanding shares in Avon Lippiatt Hobbs Limited, which is now a wholly owned subsidiary. The profit of that company over the past year has fully measured up to expectations.

A summary of the trading experience of the various parts of our group is set out below.

Avon Tyres

During a year in which many international tyre companies traded at a loss, and have found it necessary to close down some of their factories, it is pleasing to be able to record a small profit.

Overseas sales, particularly to North America, suffered from the strength of sterling, and the higher rate of inflation in the United Kingdom had an adverse effect on costs.

In the latter part of the year we introduced a new range of steel radial passenger car tyres called Turbosteel and reaction from customers is excellent. We shall add to this range during the coming months.

Motorway Tyres and Accessories

During the year new branches have been opened, but margins remained under considerable pressure. The company again provided valuable support for Avon Tyres and we continued the policy of supporting United Kingdom supply sources.

Avon Rubber Company (Bridgend)

Demand from the United Kingdom agricultural engineering industry and for process materials for the manufacture of remould tyres declined sharply and the nation-wide strike of engineering workers exacerbated an already difficult situation. Substantial reductions in numbers employed and overheads have been made which will improve our competitive position. The new year has opened promisingly with an increased product demand.

Avon Processed Polymers

The major part of the business is in developing and supplying the material requirements of other group companies and significant improvements in productivity have brought benefits of improved quality and lower costs.

External sales of coated fabric and mixed compounds increased with maintained profit margins.

Avon Industrial Polymers

Turnover increased, particularly in export markets, but profit declined due in the main to the effects of industrial unrest during the year when disputes at B.L., Ford, Vauxhall and Talbot severely affected production schedules.

The new factory space at Melksham and Chippenham is now fully operational and more development on both sites has commenced for completion during 1980. The world-wide movement towards smaller cars offers considerable opportunities and these are being actively pursued, particularly in North America, where a joint venture has been established to produce components for the new ranges of front wheel drive vehicles.

The ever widening search for additional sources of oil and gas has provided further opportunities for the design and manufacture of hovercraft skirt systems needed on the large hoverplatforms and barges now being used in difficult terrain.

Avon Medicals

Sales increased during the year but severe cut backs in demand by the National Health Service and increased competition in all markets reduced margins and profit growth was disappointing.

Product and process developments should contribute to an improved performance in the coming year and will assist in the progress of overseas companies, particularly Dravon Medical Inc. in the United States and Avon Medicals GmbH in West Germany.

Avon Inflatables

The marine leisure market, both at home and abroad, remained depressed throughout the year and the profitability and volume of sales to North America were significantly affected by the strength of sterling.

Whilst the leisure market will remain important to us, we now have an increased involvement in the commercial and defence sectors. Demand for our range of rigid hull craft is increasing from the Royal Navy and from offshore drilling companies and a new range of large inflatables for military and commercial diving work is attracting considerable interest. These developments combined with a significant reduction in overheads should restore profitability.

Avon Lippiatt Hobbs

The result for the year has fully justified the optimism I expressed in my statement last year. Greater penetration of foreign markets and increased efficiency have offset the reduction of business in the United Kingdom caused by government expenditure cuts.

Our business consists principally of the repair and maintenance of underground distribution systems for the gas industry and we have a number of new developments in process. These, together with increased productivity in the existing business, should contribute to increased profitability in the coming year.

Avon East Africa

As forecast, trading in East Africa has been extremely difficult. Bearing in mind the problems facing the Kenyan economy, the profit achievement for the year reflects great credit on our East African management.

We have progressively increased local participation in our operations based in Nairobi and we expect this process to lead to the reduction of our shareholding to less than 50% of the total equity.

Associated Companies

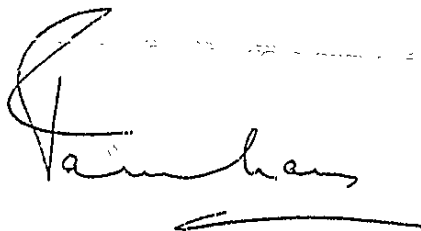
Spencer Moulton France has developed well during the year and has contributed a better profit. Using Avon technology, its main business is the manufacture of components for the French railway, automotive and fighting vehicle markets, together with process material for rubber products manufacturers.

Current Trading

The year has opened with high interest rates and other government action to curb the growth in money supply. With escalating energy costs and inflation remaining obstinately high, prospects for growth in some major markets are limited.

Our policy of product and market diversification to reduce dependency on the United Kingdom automotive industry will show benefits and, spared the consequences of major national industrial unrest, we should see an improved profit in the year ahead.

The loyalty and co-operation of all employees both at home and overseas are more than ever vital to our collective fortunes in times of such international economic difficulty. I take this opportunity once again to thank them for their support.



Directors' report

Directors

Chairman	The Rt. Hon. Lord Farnham
Managing	P. M. Fisher
Executive	J. R. Bradbeer D. L. Gibson A. K. Mitchard
Non-executive	Sir Derrick Carter R. S. Deacon A. N. Irens, C.B.E.
Company secretary	C. L. Martin, LL.B.
Registered office	Melksham, Wiltshire
Auditors	Deloitte Haskins & Sells
Principal bankers	Midland Bank Limited Brown, Shipley & Co. Limited
Solicitors	Linklaters & Paines
Registrar and transfer office	Melksham, Wiltshire

The directors submit the eighty ninth annual report and audited accounts of the company for the year ended 29th September 1979.

1 Activities

The principal activities of the group are:
Manufacture and distribution of tyres.

Manufacture of industrial rubber, engineering components, inflatable craft and specialised medical products.

Repair and maintenance of underground distribution systems primarily for the gas industry.

2 Profit and appropriations

The net profit for the year after taxation and minority interests amounts to £1,955,000 (1978 £3,243,000). Full details are set out in the profit and loss account on page 8.

Dividends paid and proposed amount to £712,000 (1978 £712,000).

3 Group turnover and profit

(a) Turnover		1979		1978	
By company		£'000	%	£'000	%
Tyres		40,490	27	38,730	31
Motorway		41,674	28	35,163	29
Bridgend		10,524	7	10,877	9
Processed Polymers		950	1	748	1
Industrial Polymers		25,988	17	24,031	20
Medicals		6,803	6	5,281	4
Inflatables		6,283	4	4,857	4
Kenya		2,214	1	2,190	2
Avon Lipplatt Hobbs		15,632	10	—	—
		<u>150,558</u>	<u>100</u>	<u>119,867</u>	<u>100</u>

By region	1979		1978	
	£'000	%	£'000	%
United Kingdom	98,259	72	95,776	72
Other EEC	21,269	14	14,724	12
Other European countries	7,645	5	8,275	7
Africa	4,532	3	3,444	3
North America	5,387	4	5,318	4
Other	2,831	2	2,382	2
	<u>150,558</u>	<u>100</u>	<u>119,867</u>	<u>100</u>

(b) Profit by company	1979		1978	
	£'000	%	£'000	%
Tyres	294	12	302	18
Motorway	264	10	427	9
Bridgend	(834)	(25)	(53)	(1)
Processed Polymers	143	6	100	2
Industrial Polymers	1,383	54	2,080	47
Medicals	255	10	229	5
Inflatables	(186)	(7)	226	5
Kenya	245	10	386	9
Avon Lipplatt Hobbs	721	28	—	—
Associated company	68	2	244	6
	<u>2,553</u>	<u>100</u>	<u>4,414</u>	<u>100</u>

4 Direct exports from the United Kingdom

Exports from the United Kingdom, including sales through overseas subsidiary companies, amounted to £37,027,000 (1978 £31,506,000).

5 Turnover and profit of operations outside the United Kingdom

Contribution to group turnover		1979		1978	
		£'000	%	£'000	%
EEC countries		7,828	5	6,064	5
Other European countries		4,708	3	5,572	5
Kenya		2,214	2	2,190	2
North America		2,081	1	1,720	1
Australia		1,072	1	1,076	1
		<u>17,903</u>	<u>12</u>	<u>16,622</u>	<u>14</u>

Contribution to group profit		1979		1978	
		£'000	%	£'000	%
EEC countries		7	—	(16)	—
Other European countries		3	—	86	2
Kenya		245	10	386	9
North America		9	—	(39)	(1)
Australia		4	—	28	1
		<u>268</u>	<u>10</u>	<u>445</u>	<u>11</u>

6 Associated companies

Société Française des Caoutchoucs Spencer Moulton

Share capital—22,000 shares of 50 francs each

50% of shares held by group

Accounting date—30th September

Basis of consolidation—Unaudited accounts for the year ended 30th September 1979.

On 14th December 1978, the company acquired the outstanding share capital of Avon Lippiatt Hobbs Limited, whose results from 1st October 1978 have been consolidated as a wholly owned subsidiary.

7 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	—	3,315	—
Sir Derrick Carter	750	—	750	—
R. S. Deacon	1,500	—	1,500	—
Lord Farnham	3,125	—	3,125	—
P. M. Fisher	6,625	500	6,625	500
D. L. Gibson	3,542	500	4,042	500
A. N. Irens	1,500	—	1,500	—
A. K. Mitchard	1,000	—	1,000	—

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.

No movements occurred in directors' shareholdings between the end of the financial year and 30th November 1979.

Mr. H. C. I. Rogers retired at the annual general meeting in January 1979.

Mr. R. S. Deacon, having attained the age of 70, retires under the provisions of the Companies Act 1948 but, being eligible, offers himself for re-election.

8 Substantial shareholdings

Shareholders having a substantial holding in the ordinary share capital are:

I.T.C. Pension Trust Limited	} Joint holding	5.65%
I.T.C. Pension Investments Limited		
Britannic Assurance Company Limited		
		5.27%

9 Political and charitable contributions

No political contributions were made during the year. Contributions for charitable purposes amounted to £6,000 (1978 £7,000).

10 Employees

The average number of employees of the group (excluding overseas) during the year was 8,383 (1978 7,517) and their aggregate remuneration amounted to £37,631,000 (1978 £29,809,000).

11 Fixed assets

With the exception of those arising from the acquisition of Avon Lippiatt Hobbs Limited, there have been no significant changes in the fixed assets of the company or any of its subsidiaries during the year.

12 Close companies

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

13 Auditors

In accordance with section 14 of the Companies Act 1976 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

27th December 1979

Consolidated profit and loss account

for the year ended 29th September 1979

	1979 £'000	1978 £'000
Group turnover (Note 1)	150,558	119,867
Profit on trading (Note 2)	2,485	4,170
Share of profits of associated company (Note 3)	68	244
Group profit for the year before taxation	2,553	4,414
Taxation (Note 4)	515	760
Group profit for the year after taxation	2,038	3,654
Minority interests	83	102
Profit for the year	1,955	3,552
Extraordinary items	—	309
Dividends (Note 5)	1,955 712	3,243 712
Profit carried forward including £127,000 (1978 £1,377,000) in the parent company	1,243	2,531
Earnings per share (Note 6)	29.1p	53.2p

Notes on the accounts

1 Group turnover

Group turnover represents invoiced sales, excluding value added tax, by group companies to outside customers.

2 Profit

Profit on trading is stated after charging:

	1979 £'000	1978 £'000
Audit fees and expenses	133	104
Depreciation	2,892	2,458
Hire of plant and machinery	3,268	933
Interest on bank loans and overdrafts	1,709	892
Interest on short term loans	322	231
Interest on long term loans	161	151
	<u>8,475</u>	<u>4,769</u>

The increase in hire of plant and machinery follows the acquisition of the outstanding shares of Avon Lippiatt Hobbs Limited.

3 Associated company

	1979 £'000	1978 £'000
Group share of profit	68	244
Less: taxation received in dividend	32 4	98 5
	<u>36</u>	<u>103</u>
Retained by associated company	<u>32</u>	<u>141</u>

4 Taxation

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

	1979 £'000	1978 £'000
United Kingdom corporation tax	(100)	(9)
United Kingdom advance corporation tax	322	358
Overseas taxes	261	313
Associated company	32	98
	<u>515</u>	<u>760</u>

b As a result of tax losses brought forward, capital allowances and stock appreciation relief, there is no corporation tax payable, other than advance corporation tax which has been written off. The credit for corporation tax is in respect of prior years.

c Tax losses of £4,065,000 are available for relief against future trading profits of certain United Kingdom subsidiary companies.

d The group does not provide for deferred taxation unless a liability can be foreseen. If deferred taxation was accounted for on the liabilities basis at 52%, the charge for the year, after writing off stock relief of £1,020,000, would be reduced by £81,000 (1978 £1,727,000 increase) and the full liability at the year-end would be as follows:

	1979 £'000	1978 £'000
Capital allowances	4,629	4,097
Stock appreciation relief	6,218	5,759
	<u>10,747</u>	<u>9,856</u>
Relfo for tax losses	(2,114)	(1,410)
Advance corporation tax	(1,719)	(1,471)
	<u>6,914</u>	<u>6,975</u>

e Accumulated profits retained by overseas subsidiary companies amounting to £1,264,000 would be subject to additional taxation of approximately £360,000 if distributed to their parent companies in the United Kingdom.

5 Dividends

	1979 £'000	1978 £'000
Paid:		
4.9% cumulative preference shares	24	24
Ordinary shares 4% interim paid 9 July 1979 (1978 4%)	266	266
Proposed:		
Ordinary shares 6.3571% final (1978 6.3571%)	422	422
	<u>712</u>	<u>712</u>

6 Earnings per share

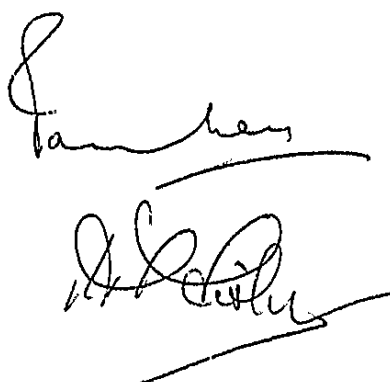
The calculation of earnings per share is based on a profit of £1,931,000 (1978 £3,528,000) and 6,637,500 ordinary shares in issue throughout the two years ended 29th September 1979.

Consolidated balance sheet

as at 29th September 1979

	1979 £'000	1978 £'000
Issued share capital (Note 7)	7,137	7,137
Reserves (Note 8)	17,819	16,725
	24,956	23,862
Minority shareholders' interests	507	458
	25,463	24,320
Debenture stocks (Note 9)	2,655	2,655
Loans and overdrafts (Note 10)	12,832	8,838
Current liabilities and provisions (Note 11)	37,952	28,676
	78,902	64,489
Fixed assets (Note 14)	19,089	18,037
Goodwill (Note 17)	1,308	361
Investments (Note 16)	322	677
Current assets (Note 18)	58,183	45,414
	78,902	64,489

Farnham
P. M. Fisher

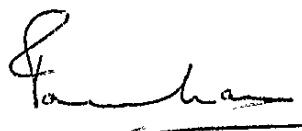
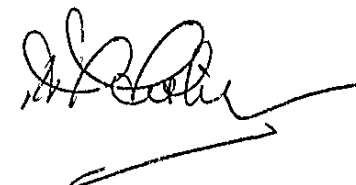


Balance sheet

as at 29th September 1979

	1979 £'000	1978 £'000
Issued share capital (Note 7)	7,137	7,137
Reserves (Note 8)	8,710	8,583
	15,847	15,720
Debenture stocks (Note 9)	2,655	2,655
Loans and overdrafts (Note 10)	3,959	2,979
Current liabilities and provisions (Note 11)	7,078	5,220
	29,539	26,574
Fixed assets (Note 15)	3,779	3,876
Investments (Note 16)	181	207
Subsidiary companies (Note 17)	18,173	17,279
Current assets (Note 18)	7,406	5,412
	29,539	26,574

Farnham
P. M. Fisher

Notes on the accounts

7 Share capital

	1979 £'000	1978 £'000
Authorized: 7,500,000 ordinary shares of £1 each	7,500	7,500
500,000 4.9% cumulative preference shares of £1 each	500	500
	<u>8,000</u>	<u>8,000</u>
Issued: 6,977,800 ordinary shares of £1 each, fully paid	6,987	6,987
100,000 4.9% cumulative preference shares of £1 each, fully paid	500	500
	<u>7,137</u>	<u>7,137</u>

Under the Savings Related Share Option Scheme, employees of the group have options to purchase 28,420 ordinary shares of £1 each, exercisable as follows.

No. of shares	Option price	Exercisable From To	
24,760	£1.57	Feb. 1984	Feb. 1985
3,660	£1.75	Feb. 1986	Feb. 1987

8 Retained profits and reserves

	1979 Group £'000	1978 Parent £'000
a Share premium	2,241	2,241
b Other reserves at 30th September 1978	14,484	6,342
Retained profit for year	1,243	127
Investment incentive grants	18	—
	<u>15,745</u>	<u>6,469</u>
Less		
Exchange losses	85	—
Investment incentive grants transferred to profit and loss	82	—
	<u>15,578</u>	<u>6,469</u>
Total reserves at 29th September 1979 including investment incentive grants of £251,000 for the group and £2,000 for the parent company	<u>17,819</u>	<u>8,710</u>

	1979 £'000	1978 £'000
a Share premium	2,241	2,241
b Other reserves at 30th September 1978	14,484	6,342
Retained profit for year	1,243	127
Investment incentive grants	18	—
	<u>14,500</u>	<u>6,469</u>
Less		
Exchange losses	85	—
Investment incentive grants transferred to profit and loss	82	—
	<u>14,484</u>	<u>6,342</u>
Total reserves at 29th September 1979 including investment incentive grants of £251,000 for the group and £2,000 for the parent company	<u>16,725</u>	<u>8,593</u>

9 Debenture stocks (secured)

	1979 £'000	1978 £'000
6½% 1977/80	588	598
6½% 1983/88	855	855
7½% 1985/90	1,202	1,202
	<u>2,655</u>	<u>2,655</u>

10 Loans and overdrafts

	1979 Group £'000	Parent £'000
a Bank overdrafts (secured group £8,171,000 parent £734,000)	9,118	734
b Secured bank loan at 2% above base rate repayable in 10 equal instalments, the last payment in 1982	1,875	1,875
c Secured bank loan at 1½% above London inter bank market rate repayable in 5 equal annual instalments, the last payment in 1986	1,350	1,350
d Secured bank loan at 10% repayable in monthly instalments, the last payment in 1993	178	—
Total bank borrowings	12,521	3,959
e 7½% mortgage repayable in half yearly instalments, the last payment in 1993	2	—
f Repayable within 5 years from 29th September 1979	309	—
	<u>12,832</u>	<u>3,959</u>

	1978 Group £'000	Parent £'000
a Bank overdrafts (secured group £5,093,000 parent £354,000)	5,631	354
b Secured bank loan at 2% above base rate repayable in 14 equal instalments, the last payment in 1982	2,625	2,625
c Secured bank loan at 10% repayable in monthly instalments, the last payment in 1993	200	—
Total bank borrowings	8,456	2,979
d 7½% mortgage repayable in half yearly instalments, the last payment in 1993	2	—
e Repayable within 5 years from 30th September 1978	380	—
	<u>8,838</u>	<u>2,979</u>

11 Current liabilities and provisions

	1979 Group £'000	Parent £'000
Acceptance credits (secured)	2,500	2,500
Creditors and accruals	34,771	4,156
Taxation	258	—
Provision for dividend on ordinary shares	422	422
	<u>37,952</u>	<u>7,078</u>

	1978 Group £'000	Parent £'000
Acceptance credits (secured)	2,000	2,000
Creditors and accruals	25,951	2,767
Taxation	293	31
Provision for dividend on ordinary shares	422	422
	<u>28,676</u>	<u>5,220</u>

12 Contingent liabilities

	1979 Group £'000	Parent £'000
a Overdraft facilities and loans of subsidiary companies	—	824
b Bills under discount	332	—
c Bills payable endorsed	—	1,392
d Other guarantees	243	218
	<u>575</u>	<u>2,434</u>

	1978 Group £'000	Parent £'000
a Overdraft facilities and loans of subsidiary and associated companies	175	1,025
b Bills under discount	872	—
c Bills payable endorsed	—	989
d Other guarantees	608	—
	<u>1,655</u>	<u>2,014</u>

13 Charge on assets

The assets of the company are subject to charges in respect of debenture stocks, borrowings, and borrowings of certain subsidiary companies, amounting in total to £16,550,000 (1978 £12,372,000)

Notes on the accounts

14 Fixed assets—group

	Freehold land and buildings £'000	Short leasehold £'000	Long leasehold £'000	Plant and machinery £'000	Total £'000
Cost and valuations at 30th September 1978	6,925	559	1,641	26,900	35,916
Exchange differences	(64)	(1)	(12)	(86)	(162)
Acquisition	333	—	—	713	1,112
Additions at cost	303	56	11	3,181	3,551
Disposals at cost	(89)	(16)	—	(1,135)	(1,231)
Cost and valuations at 29th September 1979	7,483	589	1,640	29,474	39,186
Depreciation at 30th September 1978	1,321	225	117	16,216	17,879
Exchange differences	(5)	—	—	(53)	(60)
Acquisition	—	—	—	334	334
Depreciation for the year	148	42	33	2,609	2,892
Depreciation on disposals	(29)	(12)	—	(909)	(950)
Depreciation at 29th September 1979	1,435	255	150	18,257	20,097
Net fixed assets at 29th September 1979	6,048	334	1,490	11,217	18,089
Net fixed assets at 30th September 1978	5,604	325	1,524	10,584	16,037
Fixed assets comprise:					
Cost	6,878	566	1,498	29,474	38,416
Valuation 1962	344	8	—	—	352
Valuation 1965	53	—	—	—	53
Valuation 1978	—	15	142	—	157
Valuation 1976	208	—	—	—	208
	7,483	589	1,640	29,474	39,186

1. Commitments for capital expenditure for which no provision has been made in the accounts are estimated at £1,451,000 (1978 £1,061,000) for the group including £13,000 (1978 £93,000) for the parent company.

2. Future capital expenditure authorised by the board at 29th September 1979 for which orders had not been placed at that date amounted to £1,480,000 (1978 £934,000) for the group including £70,000 (1978 £64,000) for the parent company.

15 Fixed assets—Avon Rubber Company Limited

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost at 30th September 1978	3,793	2,064	5,857
Additions at cost	80	300	380
Inter company transfers	—	19	19
Disposals at cost	(53)	(31)	(84)
Cost at 29th September 1979	3,820	2,352	6,172
Depreciation at 30th September 1978	980	1,221	2,181
Depreciation for the year	76	171	247
Depreciation on inter company transfers	—	14	14
Depreciation on disposals	(28)	(21)	(49)
Depreciation at 29th September 1979	1,008	1,385	2,393
Net fixed assets at 29th September 1979	2,812	967	3,779
Net fixed assets at 30th September 1978	2,833	843	3,676

16 Investments

	1979 Group £'000	Parent £'000
a At cost:		
Unlisted associated company	47	—
Other unlisted investments	212	181
	254	181
Group share of undistributed profits in associated company	68	—
	322	181
b Directors' valuation:		
Associated company	110	—
Other investments	691	660
	801	660

	1978 Group £'000	Parent £'000
a At cost:		
Unlisted associated companies	125	93
Other unlisted investments	153	124
	278	207
Group share of undistributed profits in associated companies	399	—
	677	207
b Directors' valuation:		
Associated companies	985	910
Other investments	620	600
	1,515	1,410

17 Subsidiary companies

	1979 £'000	1978 £'000
Shares at cost, less amounts written off	2,995	1,098
Deduct amounts owing to subsidiary companies	399	352
	2,596	746
Add amounts owing by subsidiary companies	15,577	16,533
	18,173	17,279

A list of subsidiary companies appears on page 20.

a In the opinion of the directors, the value of the investment in subsidiary companies is, in aggregate, not less than that shown above.

b In December 1978 the company acquired the outstanding share capital of Avon Lippiatt Hobbs Limited. The increase in goodwill shown in the balance sheet represents the excess of the purchase consideration over the book value of net assets acquired.

18 Current assets

	1979 Group £'000	Parent £'000
Raw materials	4,425	574
Work in progress	5,422	—
Finished goods	18,362	—
Total stocks	28,209	574
Debtors and prepayments	29,431	497
Bank balances and cash	344	6,386
	58,193	7,496

	1978 Group £'000	Parent £'000
Raw materials	4,042	600
Work in progress	4,001	—
Finished goods	18,163	—
Total stocks	24,206	600
Debtors and prepayments	20,884	199
Bank balances and cash	344	4,813
	45,414	5,412

19 Remuneration

Directors
Emoluments of directors of Avon Rubber Company Limited, paid by the company and its subsidiaries were:

	1979 £'000	1978 £'000
For services as directors	3	4
Other emoluments	127	113
Pensions in respect of former executive directors	5	5
	135	122

Emoluments of the chairman	8	7
Emoluments of highest paid director	27	25
Other directors' emoluments:	Number	Number
Up to £2,500	3	2
£2,501-£5,000	1	1
£5,001-£7,500	—	1
£17,501-£20,000	—	3
£20,001-£22,500	1	—
£22,501-£25,000	2	—

Other employees
The number of employees of the group and the parent company in the United Kingdom whose total emoluments exceeded £10,000 was:

	1979 Group	Parent	1978 Group	Parent
£10,001-£12,500	43	7	6	—
£12,501-£15,000	8	2	9	2
£15,001-£17,500	5	—	1	—
£17,501-£20,000	3	—	1	—
£20,001-£22,500	1	—	—	—

Source and application of funds

year ended 29th September 1979

Source of funds	£'000	1979 £'000	1978 £'000
From internal sources:			
Profit (excluding minority interests) before tax		2,470	4,312
Sale of freehold properties		—	464
Adjustments for items not involving the movement of funds:			
Minority interest in retained profits	49		89
Increase in unrealised exchange surplus on current assets	20		13
Profit retained in associated company	(64)		(244)
Grants transferred to profit and loss account	(82)		(91)
Depreciation	2,892	2,815	2,458
Total generated from operations		5,285	2,225
From external sources:			7,001
Investment incentive grants	18		69
Increase in bank borrowing	3,987	4,005	1,772
Increase in funds		9,290	1,841
			8,842
Application of funds			
Reduction in short term loans	70		683
Dividends paid	712		640
Net increase in fixed assets, goodwill and investments	3,328		4,419
Redemption of debentures	—		30
Tax paid	517		876
Purchase of new subsidiary *	1,768		—
Extraordinary items	—		392
Increase in working capital:		6,395	7,040
Stocks	2,588		4,092
Debtors	6,470		2,744
Creditors	(6,163)		(5,034)
Application of funds		2,895	1,802
		9,290	8,842

*Analysis of the acquisition of the outstanding shares in Avon Lippiatt Hobbs Limited

Net assets acquired	£'000	Discharged by	£'000	£'000
Fixed assets	778	Cash paid	1,381	
Stocks	1,415	Cash payable	407	
Debtors	2,299			
Current liabilities	(2,648)	Cost of shares acquired in 1972		1,768
Bank borrowing	(578)	and group share of profits retained		
Net tangible assets	1,266	in associate company to		
Goodwill on acquisition	947	30th September 1978		445
	2,213			2,213

Accounting policies

year ended 29th September 1979

The bases set out below are those used in the group and parent company accounts in the year ended 29th September 1979, and are consistent with those used last year, except for depreciation on freehold property, which now conforms with the appropriate accounting standard. Accounts are prepared on the historical cost basis.

Accounting period

The company's accounting period ends on the Saturday nearest to 30th September each year. The period ended 29th September 1979 consisted of 52 weeks.

Stocks

- a Finished products are valued at the lower of manufacturing cost and 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.

Depreciation

- a 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.
- b Leasehold properties are written off over the life of the lease, by equal annual instalments.
- c Plant and machinery is depreciated on the straight line method, the rates varying between 7½% and 50% per annum.

Investment incentive grants

A write back is made each year for grants calculated at the same rate as the depreciation on the assets to which the grants apply.

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 as a result of reversal of timing differences for some considerable period ahead.

Consolidation

The consolidated accounts include the accounts of all subsidiary companies and the share of undistributed profits, less appropriate taxation, of an associated company. The basis of consolidation of the associated company is set out in note 6 of the directors' report.

Exchange rates

- a Subsidiary companies. Accounts are converted at the rates ruling on the balance sheet date. Exchange profits and losses, where realised, are taken to profit and loss account, and where unrealised, direct to reserves.
- b Third parties. Where amounts payable and receivable are covered by forward exchange contracts, they are converted into sterling at the contracted rate. Amounts not so covered are converted at the rate ruling on the date of the transaction.

Auditors' report

To the members of Avon Rubber Company Limited

We have examined the accounts set out on pages 8 to 17, which have been prepared on the basis of the accounting policies set out on page 17.

In our opinion the accounts give a true and fair view of the state of affairs of the company and, so far as concerns members of Avon Rubber Company Limited, of the group at 29th September 1979 and of the profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

Deloitte Haskins & Sells

Deloitte Haskins & Sells

Chartered Accountants

Bristol

27th December 1979

Ten year record

	1979 £'000	1978 £'000
Turnover	150,558	119,867
Group profit		
Balance on trading	10,960	8,939
Investment income	—	—
Share of profits of associated company	68	244
	11,028	9,183
Depreciation and other charges	6,283	3,496
	4,745	5,688
Bank and loan interest	2,192	1,274
Profit before taxation	2,553	4,414
Taxation	515	766
Profit after taxation	2,038	3,654
Minority interests	83	102
	1,955	3,552
Extraordinary items	—	(309)
Profit attributable to Avon shareholders	1,955	3,243
Appropriations		
Avon Rubber Company Limited		
Preference dividends	24	24
Ordinary dividends	688	688
Profits retained	1,243	2,531
	1,955	3,243
Capital employed		
Fixed assets, investments and goodwill	20,719	19,075
Working capital	22,731	18,738
Total capital employed	43,450	37,813
Financed by		
Ordinary share capital	6,637	6,637
Reserves attributable to Avon shareholders	17,819	16,725
Ordinary shareholders' capital employed	24,456	23,362
Preference share capital	500	500
Minority shareholders' interests	507	458
Debenture stocks	2,655	2,655
Bank overdrafts and loans	15,332	10,838
Total capital employed	43,450	37,813
Rate earned (before tax and interest) on capital employed	10.9%	15.0%
Earnings per share	29.1p	53.2p
Dividends per share	10.4p	10.4p
Dividend cover	2.81	4.68

1977 £'000	1976 £'000	1975 £'000	1974 £'000	1973 £'000	1972 £'000	1971 £'000	1970 £'000
103,527	87,836	71,920	64,152	53,300	48,637	46,427	42,957
9,932	6,920	3,397	5,536	5,393	4,000	5,022	3,863
16	16	—	3	19	10	18	34
115	6	474	58	59	37	—	—
10,063	6,942	3,871	5,597	5,471	4,847	5,040	3,897
3,225	2,761	2,742	2,405	2,378	2,183	2,099	1,892
6,838	4,181	1,129	3,132	3,093	2,664	2,941	2,005
1,421	1,728	1,632	1,189	858	652	633	620
5,417	2,463	(503)	1,943	2,235	2,012	2,308	1,385
741	550	255	230	28	321	579	458
4,676	1,903	(758)	1,713	2,207	1,691	1,729	927
110	55	21	(4)	13	8	8	3
4,566	1,848	(779)	1,717	2,194	1,683	1,721	919
—	—	(293)	(125)	26	—	—	—
4,566	1,848	(1,072)	1,592	2,220	1,683	1,721	919
24	24	23	21	26	30	30	30
616	332	67	568	567	774	774	642
3,926	1,492	(1,162)	1,003	1,627	879	817	247
4,566	1,848	(1,072)	1,592	2,220	1,683	1,721	919
17,291	17,380	18,170	15,617	13,334	12,084	11,733	11,373
17,114	14,411	12,757	14,603	12,032	12,552	12,165	10,911
34,405	31,791	30,927	30,220	25,366	24,636	23,898	22,284
6,637	6,637	6,637	6,637	6,637	6,637	4,425	4,425
14,244	10,304	8,580	9,696	9,519	7,805	9,916	9,136
20,881	16,941	15,217	16,333	16,156	14,442	14,341	13,561
500	500	500	500	500	500	500	500
369	294	261	142	117	78	74	63
2,685	2,780	3,163	3,210	3,260	3,305	3,354	3,420
9,970	11,276	11,786	10,035	5,333	6,311	5,629	4,740
34,405	31,791	30,927	30,220	25,366	24,636	23,898	22,284
19.9%	13.2%	3.7%	10.4%	12.2%	10.8%	12.3%	9.0%
68.4p	27.5p	(12.1p)	25.6p	32.7p	24.9p	25.5p	13.4p
9.3p	5.0p	1.0p	8.6p	8.6p	11.7p	11.7p	9.7p
7.37	5.49	—	2.77	3.87	2.14	2.18	1.38

Shareholders and financial calendar

Shareholders

On 30th November 1979 the company had the following number of share and stock holders:

£1 ordinary shares	3,656
4.9% cumulative preference shares	152
6½% debenture stock 1977/80	25
6½% debenture stock 1983/88	50
7½% debenture stock 1985/90	153

Of the ordinary shareholders 2,360 (65%) had holdings of 500 shares or less.

Financial calendar

Interest paid on:

6½% debenture stock 1977/80	{ 31st March and
6½% debenture stock 1983/88	{ 30th September
7½% debenture stock 1985/90	{ 6th December
	{ and 6th June

Preference dividend paid on 31st December and 30th June

Interim ordinary dividend declared in June and paid in July.

Final ordinary dividend announced together with the profits for the year in November and paid in January.

Annual general meeting held in January.

Finance Act 1965—Capital gains tax

Market values of ordinary and preference shares and debenture stocks on 6th April 1965, as calculated for the purposes of capital gains tax, were:

£1 ordinary shares	£1.89167
4.9% cumulative preference shares	£0.875
6½% debenture stock 1977/80	£0.875
6½% debenture stock 1983/88	£0.905

Subsidiary and associated companies

as at 29th September 1979

	Country of incorporation
Avon Tyres Limited	England
Avon Tyres (N.J.) Limited	N. Ireland
Avon Tyres (Ireland) Limited	Eire
Avon Technical Services Limited	England
Avon Tyres Overseas Limited	England
Avon Reifen (Deutschland) GmbH	W. Germany
Avon Rubber Co AB	Sweden
Avon (Suisse) SA	Switzerland
Avon Industrial Polymers Limited	England
Avon Industrial Polymers (Bradford-on-Avon) Limited	England
Avon Industrial Polymers (Melksham) Limited	England
Avon Industrial Polymers (Overseas) Limited	England
Avon Illinois Inc.	U.S.A.
Avon-Ames Limited	England
Avon Processed Polymers Limited	England
Avon Inflatables Limited	England
Avon Rubber Company (Bridgford) Limited	England
Avon Medicals Limited	England
Avon Medicals Overseas Limited	England
Avon Medicals GmbH	W. Germany
Dravon Medical Inc.	U.S.A.
Motorway Tyres and Accessories Limited	England
Motorway Tyres and Accessories (Scotland) Limited	Scotland
City Tyre Co. Limited	England
Shaw Tyre and Battery Company Limited	N. Ireland
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 Rubber Company (Kenya) Limited	Kenya
Avon Marketing Services (Kenya) Limited	Kenya
Avon Export Services Limited	Kenya
Avon Rubber Company (Uganda) Limited	Uganda
Walker Radial Pty Limited	51% Australia
Associated Company	
Société Française des Caoutchoucs	
Spencer Moulton	50% France

All shareholdings are ordinary shares and are wholly owned except where shown.

Where a company's name is inset the shares are held by a subsidiary.

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