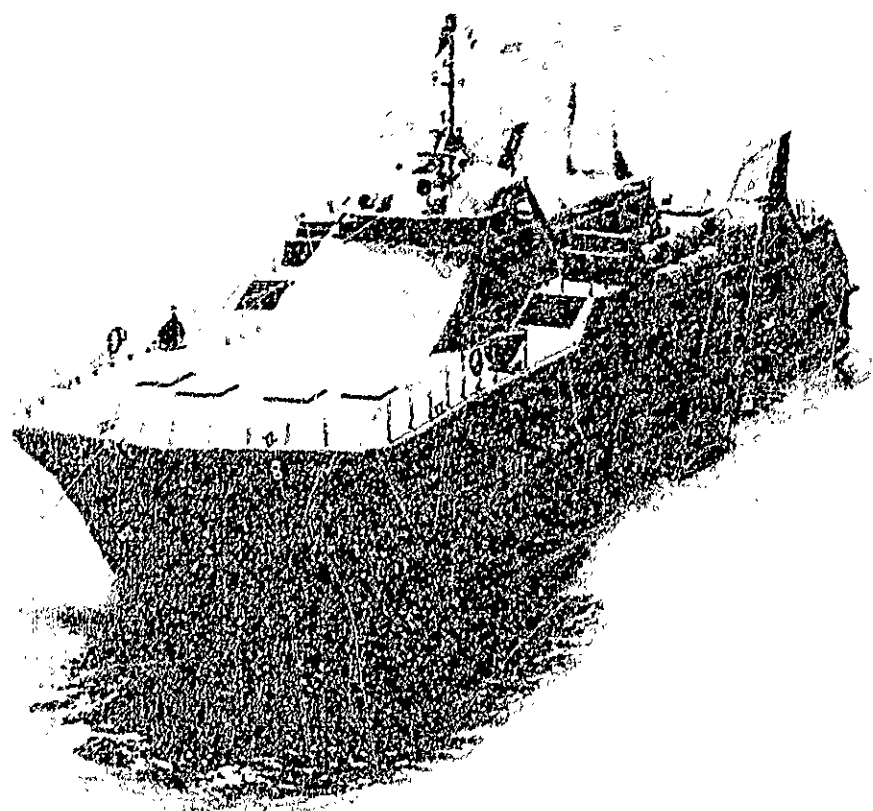


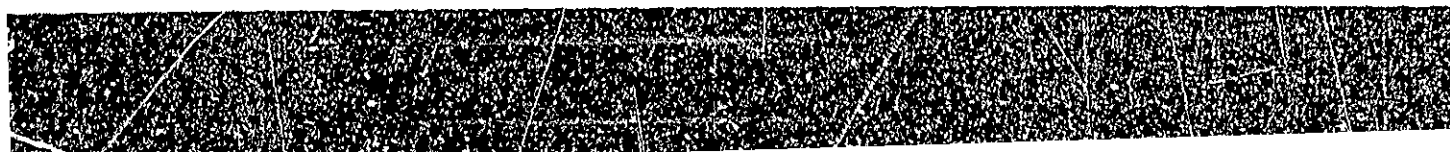
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*Avon Rubber p.l.c.*  
**ANNUAL REPORT 1989**

**AVON**

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TREASURY  
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10/11/89



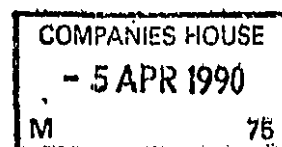


BY APPOINTMENT TO HER MAJESTY QUEEN ELIZABETH THE QUEEN MOTHER.  
TYRE MANUFACTURERS, AVON TYRES LIMITED, MELKSHAM, WILTS.

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- 2. THE BUSINESS OF AVON
- 4. THE YEAR IN BRIEF
- 4. STATISTICAL HIGHLIGHTS
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*The Santa Agata, a surface effect ship  
cruises at 45 knots and carries over 300  
passengers. It has rigid sidewalls and  
bow and stern hovercraft-type seats,  
designed and manufactured by Avon  
Industrial Polymers' Chippenham based  
flexible fabrications division.*



## THE BUSINESS OF AVON

### TECHNICAL PRODUCTS AND INFLATABLES

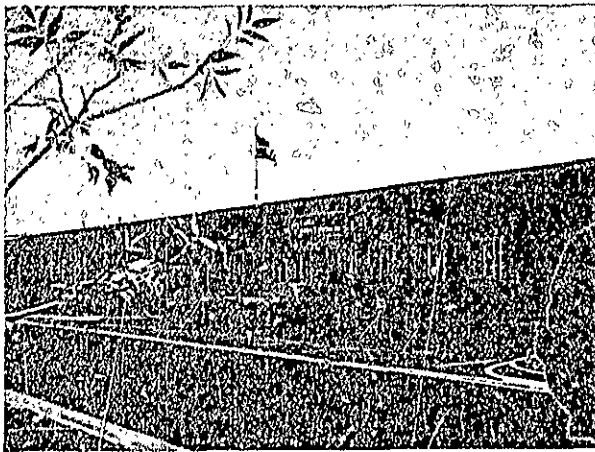
Avon's interests embrace specialist engineering, automotive, defence and marine activities carried out at manufacturing plants in the United Kingdom, France and North America.

Avon Industrial Polymers, now the largest company in the Avon Rubber group, has a wide-ranging engineering role.

Its portfolio includes products serving the railways, civil engineering, dairy and offshore oil industries. It is also a major producer of skirt systems for conventional hovercraft and surface effect ships.

Other products include aerosol gaskets and cupseals, rollers for office copying machines, golf grips, dry diving suits and flexible containers for transporting and storing liquids and other substances.

Engine mounts, heater and coolant hose and constant velocity joint seals are supplied to most British and European vehicle manufacturers and to American and Japanese customers.

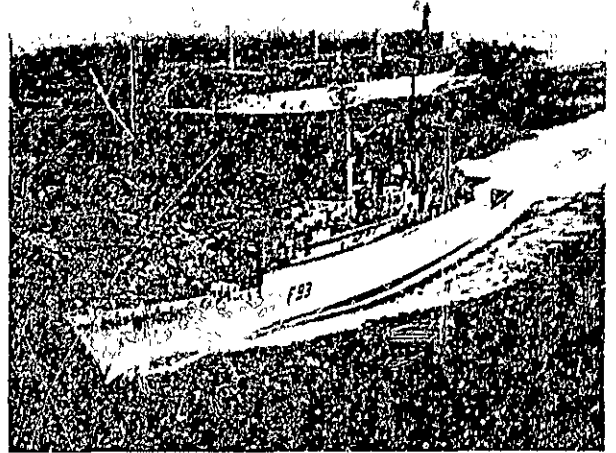


Newly-acquired Cadillac Rubber & Plastics Inc of Michigan, USA, supplies a highly specialised range of automotive components to all America's leading car manufacturers. In France, silicone hoses for heavy commercial vehicles and cars with

1. The headquarters of Cadillac Rubber & Plastics Inc, Cadillac, Michigan, USA.

2. A British naval frigate of the Armilla Patrol escorting a tanker during the Gulf War. Naval ships and tankers were protected by Avon signature management materials during the conflict.

2 Avon Rubber p.l.c.



turbo-charged engines are a speciality of Tabur, based in Vannes, Brittany.

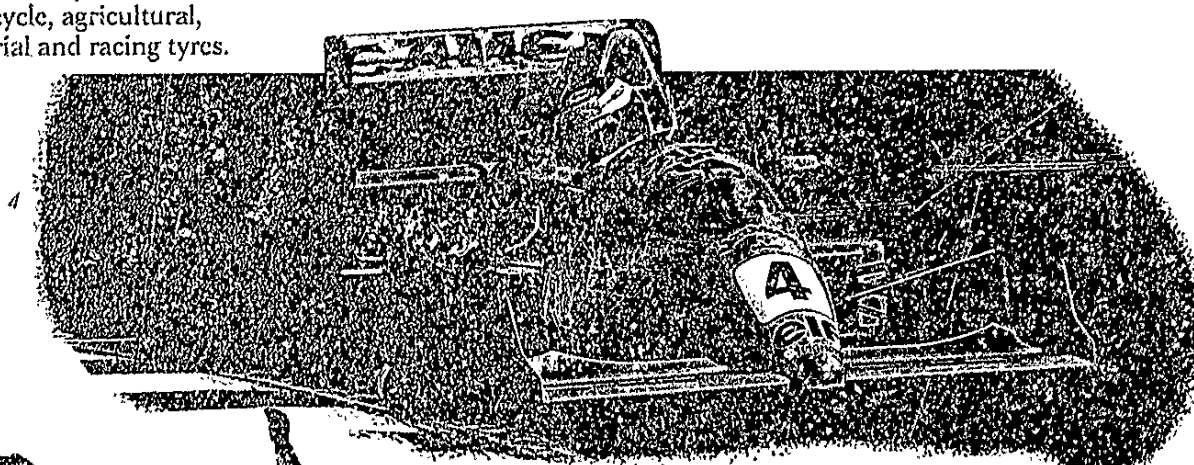
Avon's defence products range from respirators and protective suits to webbing and other personal equipment and from protective armour and running gear for armoured fighting vehicles to signature management materials and skirt systems for amphibious landing craft.

Avon Inflatables is celebrating its 30th year as the pioneering world leader of inflatable and rigid-hull craft used in the leisure, commercial, safety and defence arenas.

The Avon range encompasses some 120 craft ranging in size from small dinghies used as yacht tenders to the 8 metre-plus rigid-hull Seariders in service with the Royal National Lifeboat Institution and the United States Coast Guard Service and from multi-purpose workboats to ski-boats and liferafts.

## TYRES

Developed by Avon for the world's best and most exclusive cars, these have evolved into a high quality range for the modern generation of high performance saloon cars. Selecting niche markets, Avon Tyres has a range which encompasses car, commercial, motorcycle, agricultural, industrial and racing tyres.



Avons are supplied as original equipment to Rolls-Royce, Bentley, Aston Martin and Land Rover and Avon racing tyres have secured many championships in all sectors of international motor and motorcycle sport.

The company also plays a leading role in the manufacture of processed and remould materials.

3. Avon's CR28 radial tyres are fitted to a wide range of high performance vehicles.

4. The reigning Intercontinental Formula 3000 champion Jean Alesi.

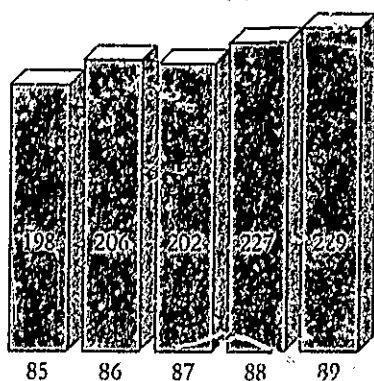
5. Our inflatable craft are widely used by naval forces. Here, French Navy divers prepare for underwater action.

## THE YEAR IN BRIEF

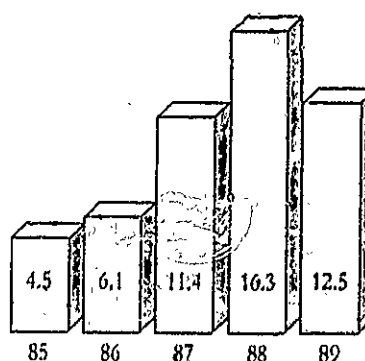
	1989	1988
	£'000	£'000
Turnover	228,590	226,850
Operating profit	17,140	18,904
Profit before taxation	12,464	16,767
Extraordinary items	13,370	(2,310)
Earnings per share	42.6p	62.4p
Dividends per share	16.5p	14.0p

## STATISTICAL HIGHLIGHTS

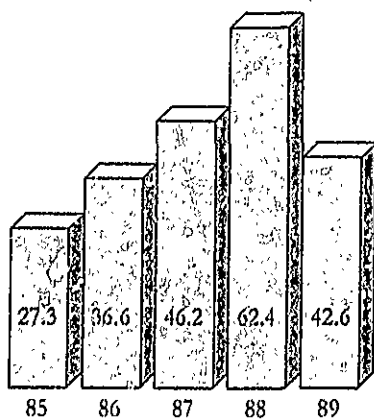
Turnover (£ million)



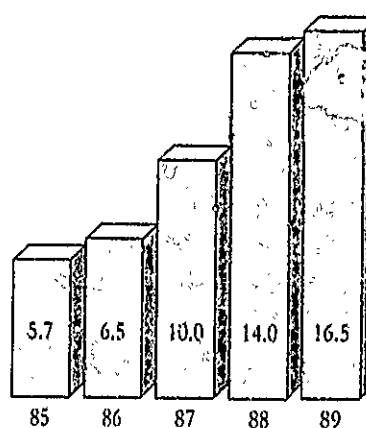
Profit before tax (£ million)



Earnings per share (pence)



Dividends per share (pence)



## CHAIRMAN'S STATEMENT

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*Lord Farnham pictured with Steve Webster (left) and Tony Hewitt, world motorcycle sidecar champions for the third successive year on Melksham designed and built Avon racing tyres. The chairman presented them with Avon Moonraker bronze statuettes in recognition of their feat.*

### *Results*

Profit before tax and extraordinary items for the year ended 30th September 1989 amounted to £12,464,000 compared with £16,267,000 before tax and extraordinary items in the previous year. Earnings per share amounted to 42.6p, adjusted for the rights issue, compared with the previous year's adjusted figure of 62.4p.

### *Trading*

This result, which follows several years of sustained growth in both profits and earnings per share, has been brought about mainly by adverse

trading conditions in the tyre business. The tyre replacement market throughout Europe has suffered from depressed margins and the mild weather reduced the demand for winter tyres.

In the home market the high proportion of new vehicles has adversely affected replacement tyre sales and consumer spending has been inhibited by high interest rates. The performance of Motorway was severely affected and a significant trading loss was incurred.

## CHAIRMAN'S STATEMENT

Avon's Industrial Polymers business, despite low overseas sales of the S10 respirator, has again produced an improved profit with good progress being maintained in other defence areas and in the automotive and specialist engineering sectors.

The Inflatables business did not recover from a slow start and its profits have fallen below those of last year.

### *Initiatives*

The year has been noteworthy for two initiatives which fundamentally change the structure of the group.

For some years your board has been aware that, through the manufacturing and distribution operations of Avon Tyres and Motorway, the group has been dependent for some 60% of its turnover on the tyre business. This has become increasingly competitive and progressively more dominated by the larger manufacturers. In the course of the year we have disposed of a 70% interest in Motorway to SP Tyres UK Limited which has also acquired a 20% interest in Avon Tyres Limited.

The agreement with SP Tyres, a member of the Sumitomo rubber group, brings added resources in technology and investment to back our established reputation in tyre design and manufacture and will enable us to take the opportunities which even this highly competitive marketplace affords.

As you know, we have been seeking opportunities in elastomeric and thermoplastic manufacture in the vitally important North American market. This objective has now been achieved by the acquisition of the Cadillac group of companies, with operations in Michigan, New York State and Mexico.

This is a well respected business, with technically advanced products, a strong customer base and an experienced and successful management team. It has the Ford Q-1 Award, the Chrysler Quality Excellence Award and the General Electric World Class Supplier Award.

Avon programmes have already been introduced into Cadillac taking it beyond its present concentration on the automotive market into other markets in which Avon is already well known. This applies particularly to specialist milking machine products and to stators for downhole drilling equipment for the offshore industry. We are also evaluating opportunities to transfer Cadillac technologies to complement our developing European business.

With the acquisition of Cadillac we have enhanced the group's status as an international business able to service the needs of our customers on both sides of the Atlantic.

The Cadillac acquisition was financed by a share issue and by supporting the company in this way you, our shareholders, have given great encouragement to the board.

### *Appointments*

Mr Derek Hudson, while retaining his role as an executive director of Avon, is now based in the United States as president of Cadillac and his presence will help to achieve the mutual goals of the Avon and Cadillac management teams.

We are pleased to welcome Sir John Milne to the board as a non executive director. Sir John is chairman of Blue Circle Industries plc and a director of Royal Insurance plc and we look forward to his close involvement in the group's activities. You will see that a resolution is proposed for his re-election in the notice convening the annual general meeting.

### *Employees*

Our employees have made a vital contribution to the business through their commitment to the responsibilities placed upon them not only in the major structural changes that have taken place but also in their adaptation to the Total Quality Management programme and the consolidation of the efficiency initiatives.



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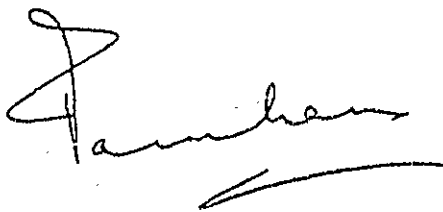
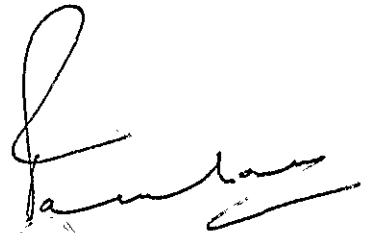
### *Dividend*

Your board's view as to the appropriateness of a progressive dividend policy remains unchanged. The interim dividend was raised from 4.0p to 5.0p per share and the board now recommends an increase in the final dividend from 10.0p to 11.5p per share giving a total dividend for the year of 16.5p per share compared with 14.0p last year, an increase of 18%.

### *Outlook*

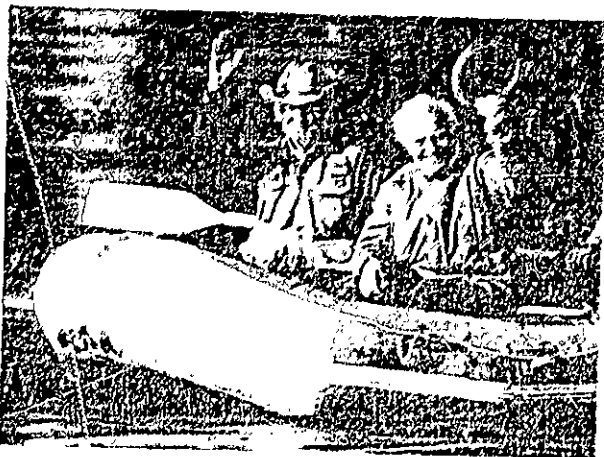
It now seems likely that in the UK there will be a decline in economic activity during 1990. In the USA, reductions in output have already been announced by the main vehicle manufacturers.

The board is confident that the current year will be one of progress but the extent of that progress will be largely dependent on conditions in the markets we serve.

A handwritten signature in dark ink, appearing to be 'J. Amherst', with a horizontal line underneath.A handwritten signature in dark ink, appearing to be 'J. Amherst', with a horizontal line underneath.



## CHIEF EXECUTIVE'S REVIEW



The chairman's statement refers to the two major initiatives which fundamentally change the structure of the group.

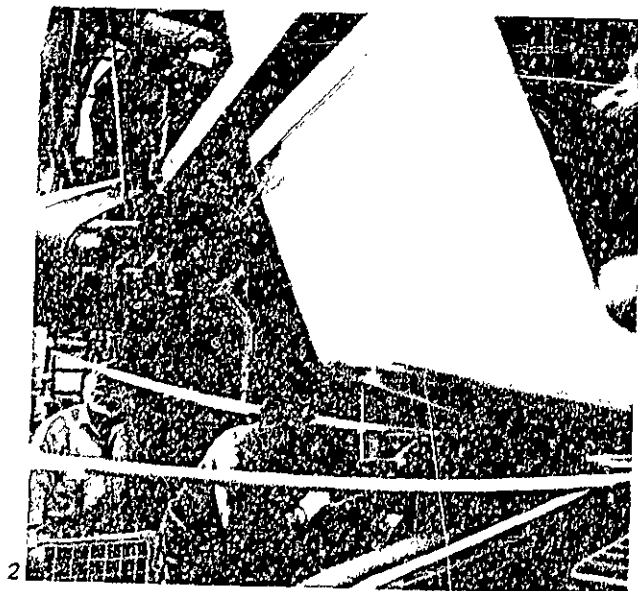
To put them into further perspective:

- the pneumatic tyre business will no longer dominate the group's activities and its turnover will represent only 20% of the total.
- Avon can now be projected as a truly international company. Almost 60% of its sales will be to foreign customers. Outside of tyres, the figure will be over 70%.

Despite difficult trading conditions which resulted in a disappointing financial performance, many positive developments have taken place within the group. Not least has been the progress with our comprehensive programme of continuous quality improvement.

Some 600 managers and specialists have been trained in the basic tools and techniques of total quality and so far about 1000 other employees have undergone awareness training. This will be extended to cover all personnel, many of whom will receive education in specialised statistical techniques.

All of this is a vital stage on the way to our becoming a total quality company and indeed a world-class supplier in our field. In the meantime,

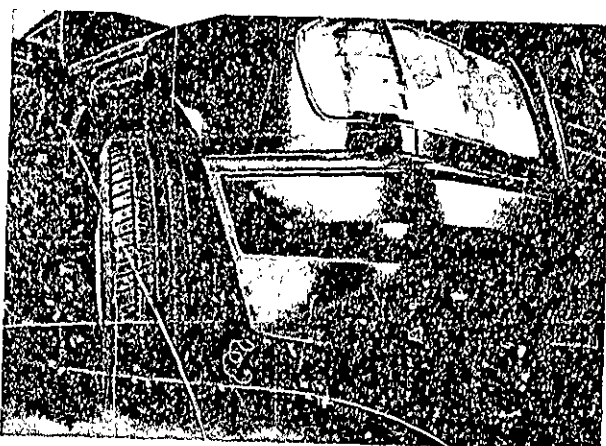


useful financial savings have resulted from the work carried out so far.

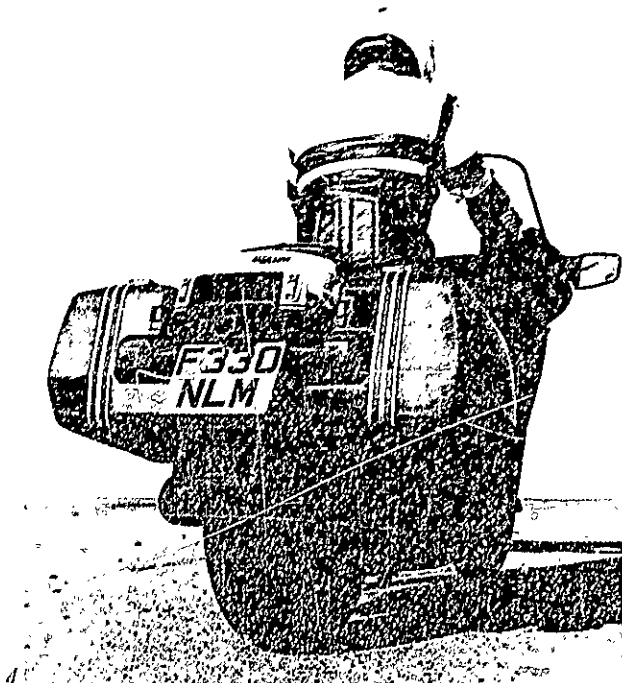
### *Avon Tyres Limited*

Despite the very difficult conditions experienced, particularly in the UK replacement market, we increased our market share in key product sectors and Avon Tyres produced the second highest profit in its history.

During the year new sizes have been added to the successful CR28 Turbospeed range of performance car tyres and the CR22 range has



1. US Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze relaxing in an Avon craft while fishing on Wyoming's Snake River during their mini-Summit meeting.
2. All-white fabric under production at Me'ksham. The problems of producing it in a traditionally black factory were overcome using Total Quality Management techniques.
3. The Avon CR28 high performance car radial tyre.



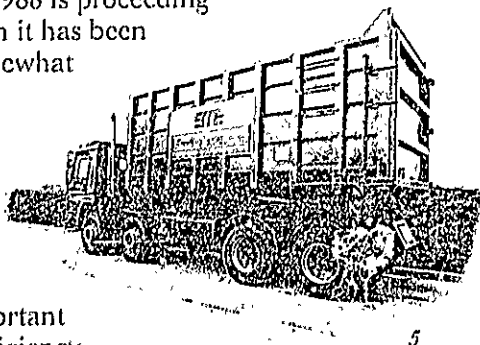
been developed in 65, 70 and 80 series, to replace progressively the Turbospeed pattern.

We have successfully developed high performance radial ply motorcycle tyres. A new pattern industrial pneumatic tyre and a premium range of truck radial tyres will be available for launch in the Spring of 1990.

Manufacturing efficiency improved steadily throughout the year and this, combined with flatter market conditions, has enabled us to concentrate the necessary level of production into a five day cycle.

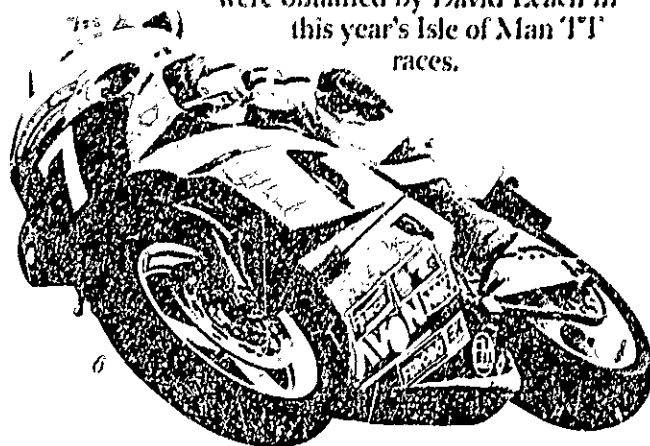
The major capital investment programme approved in 1988 is proceeding well, although it has been trimmed somewhat to reflect the latest financial performance.

The new equipment is already showing important benefits in efficiency and product quality.



1989 saw a continuation of our highly successful involvement in motor racing on two, three and four wheels.

All three of the major British production motorcycle championships were won by machines fitted with Avon standard road patterned tyres. Lap records in the 600cc and 750cc classes and outright victory in the 1300cc class were obtained by David Leach in this year's Isle of Man 'TT' races.



The highlight on three wheels was the winning of the World Sidecar Championship by Steve Webster and Tony Hewitt for the third year in succession.

1989 was the first year of our renewed exclusive contract for the supply of tyres to the International F3000 series. We successfully introduced radial tyres to the British F3 series again the first year of a new exclusive three-year contract.

Our tyres featured in many other events throughout the world. Over 50% of our racing tyres are sold to customers outside the UK.

The remould material business has been affected by the problems of the tyre market generally but we have largely counterbalanced this situation by the introduction of new products and the development of export markets.

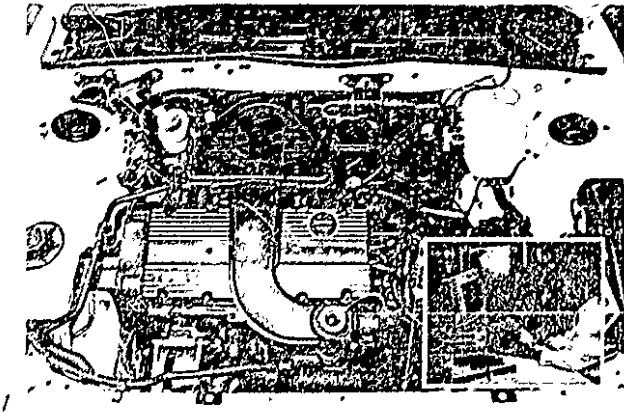
A strong dialogue has commenced with SP and we continue to work closely with Motorway which remains an important and valued outlet for our products.

4. Radial-ply motorcycle tyres give added mileage to riders of touring machines.

5. Our truck radial tyres are widely used by the road haulage industry.

6. Dave Leach, victorious in the Isle of Man.

## CHIEF EXECUTIVE'S REVIEW



valued at £1.5 million per annum. Contracts were also signed for engine mounts and other suspension parts on the Rover 200 series valued at £2.5 million.

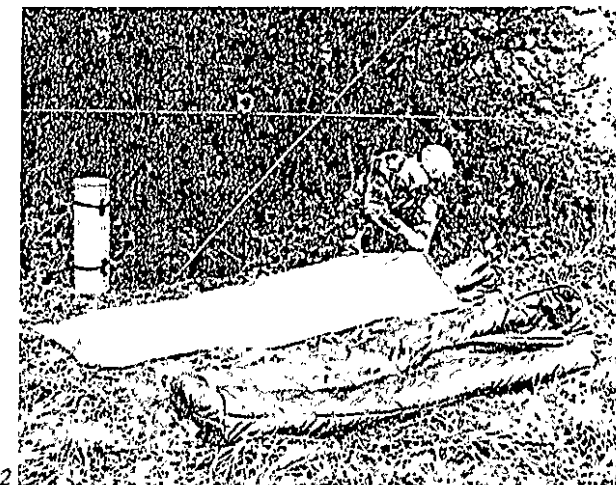
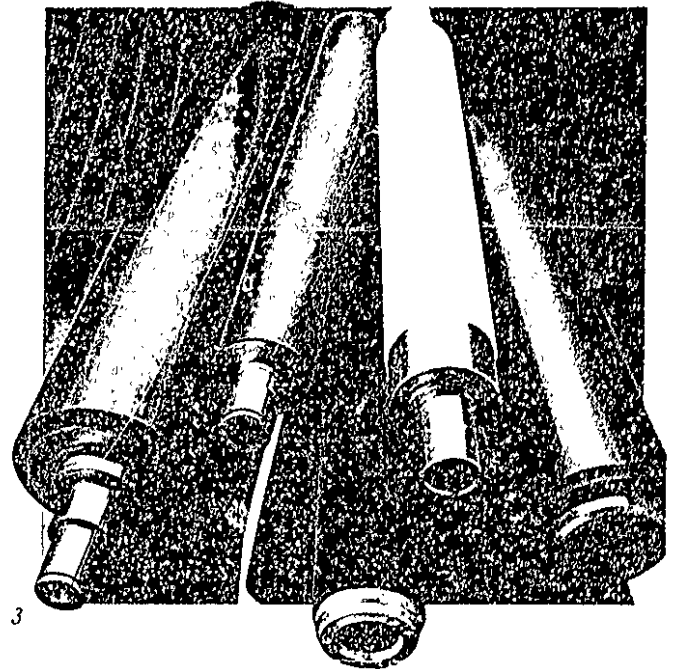
Our automotive customers continued their policy of reducing their number of suppliers, a situation from which we have been able to benefit, particularly in coolant hoses and rubber suspension units.

Our defence related businesses have continued to prosper in most areas, with the significant exception of the S10. We had hoped to receive at least one major overseas contract but, in

### *Avon Industrial Polymers Limited*

Sales during the year showed very encouraging growth in all three of the major market sectors. In view of the continuing expansion of the business, we decided to restructure the company in the UK by appointing an assistant managing director to be responsible for each sector. This reorganisation enables us to focus with more clarity on the various markets to which our products are directed.

The automotive business has been strong during a year when the market throughout Europe has been very firm. In April we won a contract on the new Ford Fiesta for coolant hoses



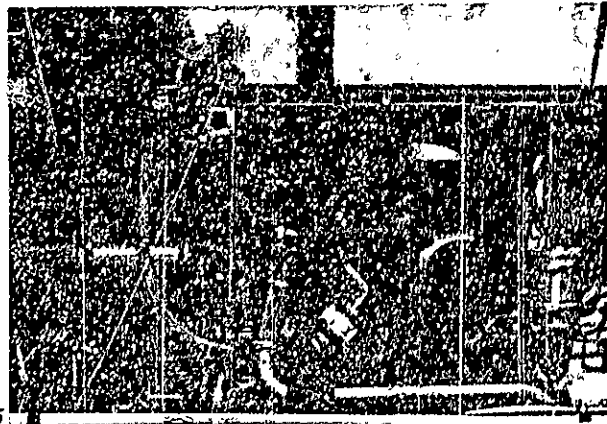
1. Engine mounts and associated components are supplied by Avon Industrial Polymers, Bradford-on-Avon, to the new Rover 200. Also shown is our new hydramount on test.
2. CQC's range of personal equipment for servicemen includes newly-styled sleeping bags.
3. High precision rollers designed and manufactured by Avon Ames at Melksham are at the heart of increasingly sophisticated photo-copying machines.
4. This surface effect ship, operated by the United States Coast Guard Service, has bow and stern seals designed and manufactured by Bell Avon Inc of Picayune, Mississippi.
5. Developed in France, the Tabur range of silicone hoses are widely used in heavy commercial vehicles such as this Citroen bus.

the event, it was not forthcoming. On the other hand CQC won a number of important contracts for personal load carriage equipment and sleeping bags, which enabled them to achieve a most encouraging financial performance.

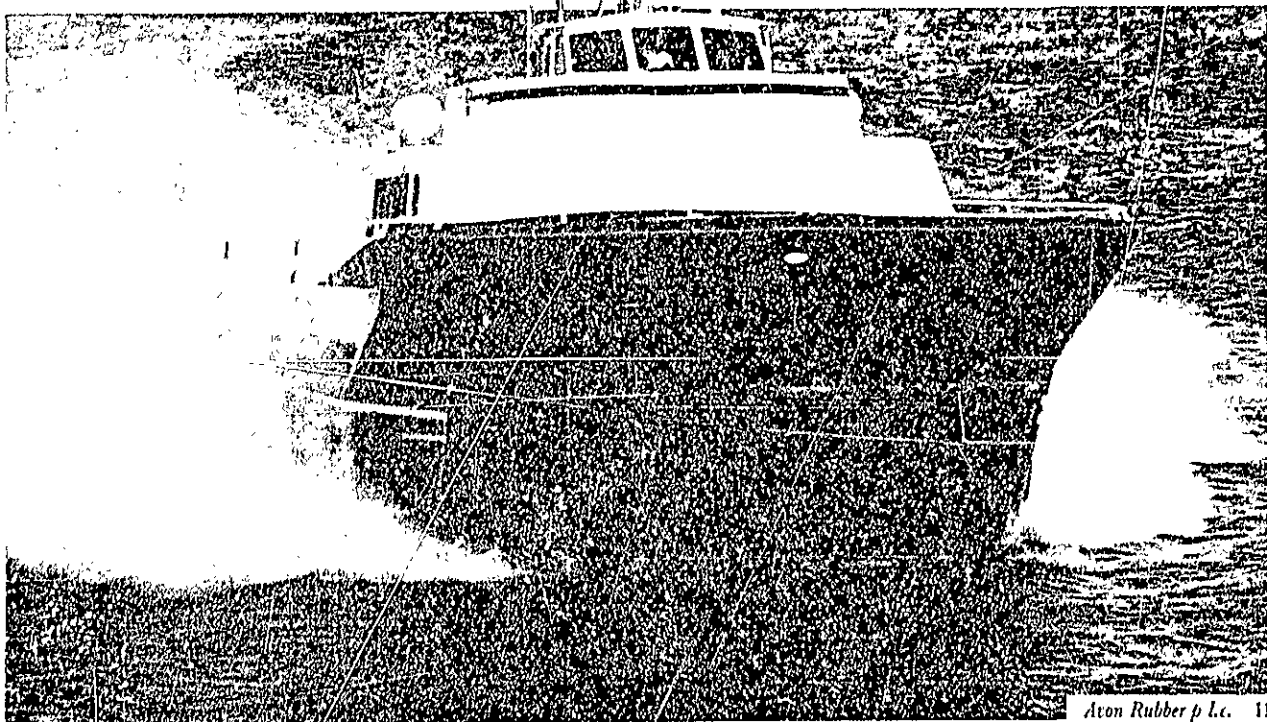
On the specialist engineering side, we have made progress in most of our product groups. Of particular significance has been our UK based joint venture Avon-Ames which manufactures rollers for the office equipment industry. Exceptional demand for these products showed through in increased sales and profits during the year.

Bell-Avon has benefited from the contracts which were mentioned in last year's report and growth in both sales and profit was substantial. The continuation of these contracts through 1990, and the possibility of others, bodes well for the future.

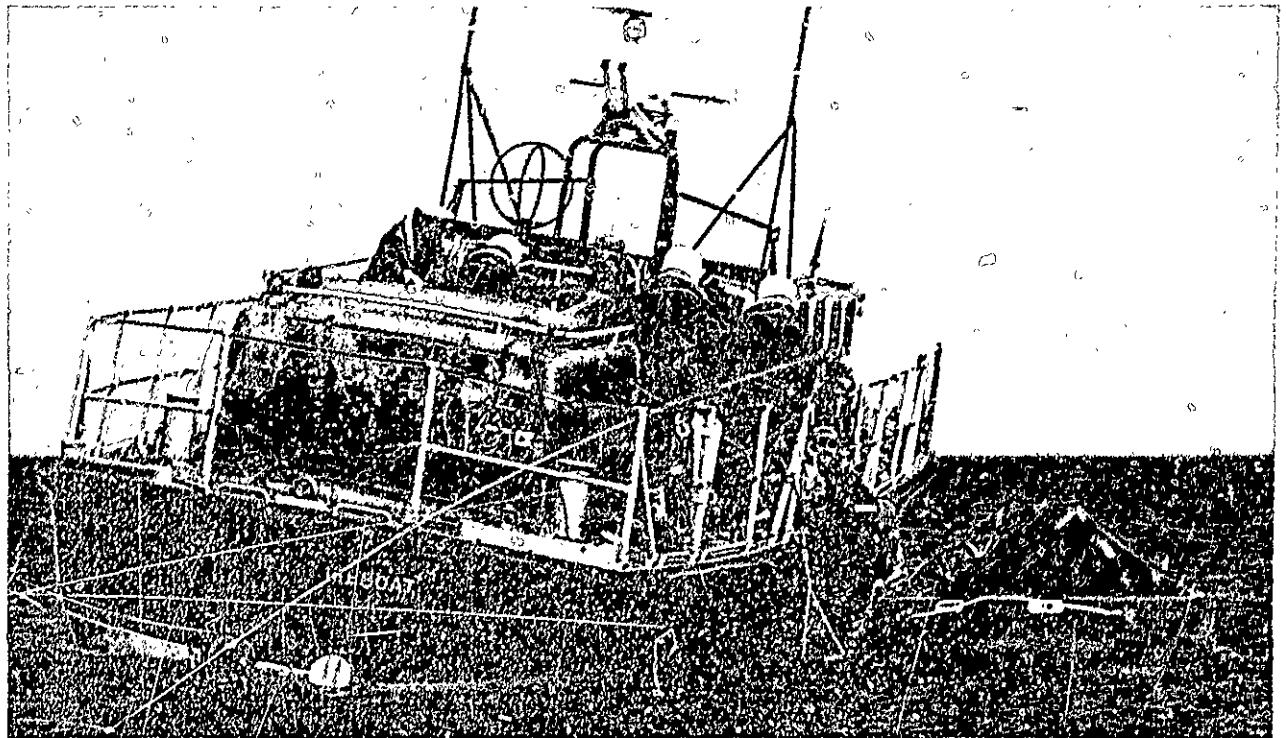
In France, Spencer Moulton traded in line with expectations. We anticipated they would not show growth owing to a lack of orders for defence components in the early part of the year.



Tabur showed further progress and as we had hoped, Avon has been able to assist the management of Tabur to find business outside of France. Valuable orders for high temperature hose and specialised silicone mouldings have been won from the European motor industry. During the year, Tabur's capacity, particularly for silicone hose, has been expanded.



## CHIEF EXECUTIVE'S REVIEW



### *Avon Inflatables Limited*

Market conditions, especially in the USA, were difficult for most of the year but despite this we were able to show a small growth in volume. However, price competition and generally unfavourable exchange rates adversely affected our margins.

The high quality of our products stands us in very good stead.

Sillinger, as expected, made a negative contribution during the year but we continue to regard the company as the vehicle to give us a place in the important French market.



1. Avon liferafts have saved the lives of many shipwrecked mariners in all the major seas and oceans.

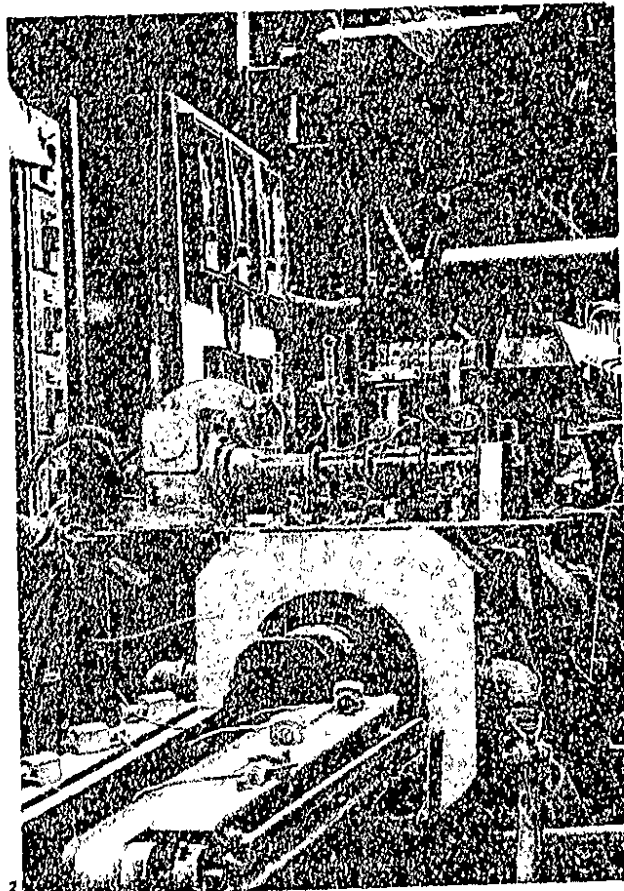
2. An all-white Avon Supersport — one of several new models introduced during the year.



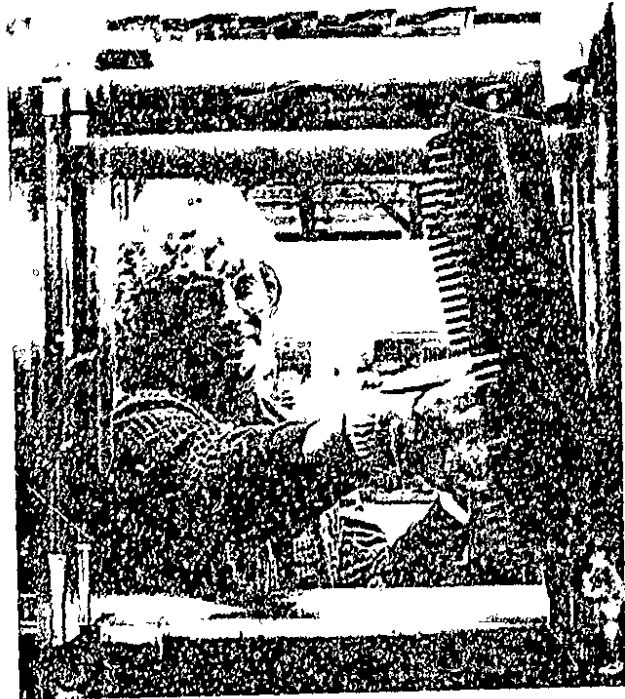
### *Cadillac Rubber & Plastics Inc*

In the short time since we have owned the company our efforts have been directed towards:

- the improvement of the financial performance of their core businesses. We have been very pleased with this aspect and encouraging new business has been received in recent months.
- the consolidation of the emission assembly plant in Juarez, Mexico. This project has proceeded very much more slowly than originally expected. Nonetheless, good progress has been made and there is no question that the facility there is first class and we shall receive considerable benefits from it during 1990 and beyond.



3. Rubber profiles are reinforced with materials such as fibreglass filament.  
4. This solar collector manifold eliminated costly secondary operations.



- setting up manufacturing facilities in Michigan for downhole drilling stators and milking machine parts. These projects are ahead of schedule and will contribute favourably to Cadillac's 1990 results.
- an assessment of the potential for technology exchange between USA and Europe. The outlook is very positive and we see definite opportunities in both directions. These programmes are being formulated by a small high level working party, comprising both Cadillac and AIP senior managers.

Cadillac, in combination with our facilities in France and the UK, provides us with the ability to offer an international service to major customers in the automotive industry and elsewhere. As major companies seek to reduce their vendor base and work with suppliers having an international technological and manufacturing capacity, Avon's new capabilities will become increasingly attractive to them.

*Anthony Mitchell*  
*Anthony Mitchell*

## **DIRECTORS AND OFFICERS**

---

**Chairman**

The Rt. Hon. Lord Farnham

**Registered office**

Melksham, Wiltshire

**Chief executive**

A.K. Mitchard

**Auditors**

Deloitte Haskins & Sells

**Executive directors**

J.R. Bradbeer

D.J. Hudson

B. Stacey

**Principal bankers**

Midland Bank plc

Barclays Bank PLC

National Westminster Bank PLC

Brown, Shipley & Co. Limited

**Non executive directors**

P.M. Fisher (deputy chairman)

Sir John Milne

J.M. Pinckard

**Solicitors**

Linklaters & Paines

**Company secretary**

C.L. Martin, LL.B.

**Registrar and transfer office**

Melksham, Wiltshire

**Brokers**

Hoare Govett Ltd.

## **NON EXECUTIVE DIRECTORS' PROFILES**

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**Peter Fisher**, aged 63, was appointed deputy chairman in January 1979 and was group managing director between August 1975 and February 1986. He is a director of Arley Holdings plc and a director of the British Rubber Manufacturers Association's research and development strategy. Married, with one daughter, he lives in Wiltshire.

**Sir John Milne**, aged 65, is chairman of Blue Circle Industries plc, a director of Royal Insurance plc and Witan Investment Company plc and a council member of the Confederation of British Industry. Married, with two sons and two daughters, he lives in Hampshire. He was knighted in the 1986 New Year Honours List.

**John Pinckard**, aged 59, is a chartered accountant. From 1973 to 1982 he was chief executive of Serck p.l.c. and was chief executive of F.H. Lloyd Holdings p.l.c. from 1982 to 1987. Married, with one son, he lives in Warwickshire.



## **DIRECTORS' REPORT**

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The directors submit the ninety-ninth annual report and audited financial statements of the company for the year ended 30th September 1989.

### **1. Principal activities and business review**

The principal activities of the group are:

Manufacture of products using elastomeric, thermoplastic and composite materials for sale in international markets covering industrial, commercial, marine, defence, leisure and other purposes

Manufacture of tyres and related products

The business review is covered on pages 2 to 13.

### **2. Acquisitions**

The assets of TR Sillinger and the entire share capital of the Cadillac group of companies were acquired on 2nd January and 30th June 1989 respectively. The amount expended on these acquisitions was £41,151,000 of which £20,850,000 was satisfied by the issue of shares.

### **3. Disposals**

A 70% interest in Motorway Tyres and Accessories Limited and the entire share capital of Motorway Tyres and Batteries Limited were sold on 31st May and 31st August 1989 respectively for net proceeds of £16,421,000.

In addition, the group's interest in Avon Tyres Limited was reduced to 80% as a result of a subscription of £5,700,000 by SP Tyres UK Limited, for new shares.

### **4. Change in ordinary share capital**

On 30th June 1989 the company issued 4,170,139 shares to the vendors of the Cadillac group of companies. Ordinary shareholders were subsequently invited to purchase these shares at a price of £5.00 per share on the basis of one new share for every four shares held on 15th June 1989. The invitation was accepted by 93.7% of the ordinary shareholders and the balance was taken up by the underwriters. Accordingly, the ordinary share capital in issue at 30th September 1989, including 21,460 shares issued under the executive and the savings related share option schemes increased by 4,191,599 shares.

### **5. Results and dividends**

The group profit for the year after taxation and minority interests but before extraordinary items amounts to £7,735,000 (1988 £10,745,000). Full details are set out in the profit and loss account on page 18.

Dividends paid amount to £859,000 (1988 £691,000). Dividends proposed amount to £2,398,000 (1988 £1,666,000)

## DIRECTORS' REPORT

### 6. 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	
	ordinary	preference	ordinary	preference
J.R. Bradbeer	8,287	—	10,358	—
Lord Farnham	7,812	—	9,765	—
P.M. Fisher	9,062	500	9,262	500
D.J. Hudson	—	—	—	—
A.K. Mitchard	2,500	—	3,125	—
J.M. Pinckard	5,000	—	6,250	—
B. Stacey	—	—	—	—

Directors' share options are set out in note 26 to the financial statements.

No movements occurred in directors' shareholdings between the end of the financial year and 31st December 1989.

No beneficial interest attached to any shares registered in the names of directors in the company's subsidiaries.

Mr. P.W. Ridley retired at the annual general meeting on 13th February 1989.

Sir John Milne, who was appointed to the board on 1st November 1989 retires under article 91 and, being eligible, offers himself for re-election.

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

### 7. Substantial shareholdings

At 31st December 1989, the following shareholders held 5% or more of the company's ordinary share capital:

Standard Life Assurance Company	6.54%
Scottish Amicable Nominees Limited	5.47%

### 8. Political and charitable contributions

No political contributions were made during the year. Contributions for charitable purposes amounted to £33,000 (1988 £23,000).

### 9. Disabled persons

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

#### 10. Employee involvement

Since the formation of the Joint Works Council at Melksham in 1936, and its more recent counterparts elsewhere in the group, consultation with employees has been recognised 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. As part of our major programme of Total Quality Management, supervisors and employees meet regularly to tackle problems together. Information is disseminated to all employees by means of briefing groups, notice boards, video and regular publication of an internal newspaper, Avon Matters.

The Savings Related Share Option Scheme, which has been in operation since 1979, encourages participation in the business of the company.

Pension fund matters are communicated through site committees and the publication of a special newspaper.

#### 11. Research and development

Research and development work is undertaken by all companies in the group to provide the best product designs & materials and is supported by a central team providing specialist assistance in areas such as the use of finite element analysis in the design of products and statistical systems for the development of rubber formulations.

The Teaching Company Scheme with Bristol University combined with research programmes with Bath, Brunel and Warwick Universities provides expertise and generates important data.

The strength of our research and development plays a vital role in the drive for Total Quality Management and the satisfaction of the exacting technological requirements of international customers.

#### 12. Close companies

The 'close company' provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

#### 13. 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

17th January 1990

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1969

	Note	1969 £000	1968 £000
Turnover	2	228,599	208,855
Cost of sales		(187,501)	
Gross profit		41,098	
Distribution costs		(12,268)	
Administrative expenses		(15,224)	
Other operating income		2,422	
Share of profits of associated companies	5	279	
Interest receivable		542	
Operating profit	3	17,140	15,994
Interest payable and similar charges	4	(4,676)	
Profit on ordinary activities before taxation	7	12,464	16,267
Taxation on profit on ordinary activities	8	(3,703)	
Profit on ordinary activities after taxation		8,761	
Minority interests		(1,026)	
Extraordinary items	10	7,735	
Profit for the year		13,370	
Dividends	9	21,105	
Retained profit for the year	27	(3,257)	(2,357)
Retained profit in parent company £14,967,000 (1968 £2,925,000)	28	17,843	6,208
Earnings per share	11	42.6p	62.4p

# CONSOLIDATED BALANCE SHEET

at 30th September 1989

	Note	1989 £000	£000
<b>Fixed assets</b>			
Tangible assets	14		49,265
Investments	15		2,188
			<u>51,453</u>
<b>Current assets</b>			
Stocks	20	40,595	
Debtors	21	49,294	
Cash at bank and in hand		11,713	
		<u>101,702</u>	
<b>Creditors</b>			
Amounts falling due within one year	23	63,174	
<b>Net current assets</b>			<u>38,528</u>
<b>Total assets less current liabilities</b>			<u>89,981</u>
<b>Creditors</b>			
Amounts falling due after one year	23	31,726	
<b>Net assets</b>		<u>58,255</u>	<u>50,059</u>
<b>Capital and reserves</b>			
Share capital	26	21,352	
Share premium account	27	12,975	
Revaluation reserve	27	388	
Profit and loss account	27	16,186	
		<u>50,899</u>	
<b>Minority interests</b>		<u>7,356</u>	
<b>Shareholders' funds</b>		<u>58,255</u>	<u>50,059</u>

These financial statements were approved by the Board of directors on 17th January 1990 and were signed on its behalf by:

Farnham

A.K. Mitchard

# BALANCE SHEET

at 30th September 1989

	Note	1989 £000	1988 £000
<b>Fixed assets</b>			
Tangible assets	15		9,878
Investments	17		74,635
			<u>84,513</u>
<b>Current assets</b>			
Debtors	22	10,575	
Cash at bank and in hand		<u>10,625</u>	
		<u>21,200</u>	
<b>Creditors</b>			
Amounts falling due within one year	24	7,207	
<b>Net assets</b>			<u>13,993</u>
<b>Total assets less current liabilities</b>			<u>98,506</u>
<b>Creditors</b>			
Amounts falling due after one year	24		<u>20,934</u>
<b>Net assets</b>			<u>77,572</u>
<b>Capital and reserves</b>			
Share capital	26	21,352	77,450
Share premium account	28	12,975	72,925
Merger reserve	28	16,439	
Revaluation reserve	28	278	272
Profit and loss account	28	<u>26,528</u>	<u>91,744</u>
<b>Shareholders' funds</b>		<u>77,572</u>	<u>41,638</u>

These financial statements were approved by the board of directors on 17th January 1990 and were signed on its behalf by:

Farnham

A.K. Mitchard

## SOURCE AND APPLICATION OF FUNDS

for the year ended 30th September 1983

	1983		
	£'000	£'000	
<b>Source of funds</b>			
From internal sources:			
Profit (excluding minority interests) before taxation		11,438	
Adjustments for items not involving the movement of funds:			
Depreciation	6,314		
Revaluation surplus now realised	(155)		
Minority interests	733		
Profits retained in associated companies	(172)		
Disposal of subsidiary companies	(1,137)	5,583	
Total generated from operations		17,021	
From external sources:			
Profit on disposal of subsidiary companies		13,370	
Issue of shares for cash		47	
Issue of shares to acquire subsidiary company		20,850	
Issue of shares in subsidiary company for cash		5,700	
Increase in loans payable		19,667	
Increase in funds		76,655	
Other adjustments for items not involving the movement of funds:			
Unrealised exchange gains/(losses) on current assets		164	
		<u>76,819</u>	<u>22,734</u>
<b>Application of funds</b>			
Net increase in fixed assets and investments	21,028		11,143
Goodwill	35,855		159
Dividends	2,525		1,286
Taxation	1,018		681
Extraordinary items	—	60,426	2,743
Increase in working capital:			
Stocks	3,645		5,045
Debtors	3,449		8,125
Creditors	3,575		(2,100)
Finance leasing	(1,915)	8,754	(1,434)
<b>Movement in net liquid funds</b>			
Decrease in bank borrowing	5,574		(3,685)
Decrease in acceptance credits	(2,065)	7,639	(595)
		<u>76,819</u>	<u>22,734</u>

This statement includes the effect of the acquisitions of the assets of TR Sillinger and the entire share capital of the Cadillac group together with the disposals of 70% of Motorway Tyres and Accessories Limited and the whole of Motorway Tyres and Batteries Limited.

	Acquisitions	Disposals		Acquisitions	Disposals
	£'000	£'000		£'000	£'000
Goodwill	35,855	—	Issue of shares	20,850	—
Fixed assets	9,795	6,331	Cash	20,301	16,421
Stocks	5,153	7,547	Effect on reserves	—	584
Debtors	8,071	12,805	Transfer to investments	—	800
Creditors	(8,958)	(22,248)			
Borrowings	(8,765)	—			
Profit on disposals	—	13,370			
	<u>41,151</u>	<u>17,805</u>		<u>41,151</u>	<u>17,805</u>



## ACCOUNTING POLICIES

for the year ended 30th September 1989

The bases set out below are those used in the group and parent company financial statements in the year ended 30th September 1989.

The financial statements 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 30th September 1989 consisted of 52 weeks. (1988 52 weeks)

### Consolidation

The consolidated financial statements include the financial statements of all subsidiary companies and the share of undistributed profits of associated companies.

### Research and development

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

### Pensions

Pension expense represents the cost of pension benefits provided in exchange for employees' services rendered, determined on actuarial advice.

### Depreciation

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.

Leasehold properties are amortised by equal annual instalments over 50 years or the life of the lease if shorter. Plant and machinery is depreciated on the straight line method at rates varying between 7½% and 50% per annum.

### 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.

### 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.

Profit and loss accounts of foreign subsidiary companies are translated at average rates of exchange and balance sheets at year end rates. Exchange profits and losses arising from these translations and on foreign currency borrowings relating to overseas investments are taken to reserves. Other exchange differences are taken to profit and loss account.

### 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.

### Stocks

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 administrative expenses are not included in the valuation. Work in progress is valued at material cost plus manufacturing labour and overheads. Raw materials are valued at purchase price but reduced to net replacement cost if lower.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 1989

## 1 Parent company

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

<b>2 Turnover</b>	<b>1989</b>	
External sales excluding VAT	£'000	
By class of business:		
Tyres/Motorway	111,692	111,692
Industrial Polymers	103,879	103,879
Inflatables	13,019	13,019
	<u>228,590</u>	<u>228,590</u>
By market:		
United Kingdom	144,274	144,274
Other E.C. countries	41,682	41,682
Other European countries	9,357	9,357
North America	29,330	29,330
Others	3,947	3,947
	<u>228,590</u>	<u>228,590</u>

Industrial Polymers includes £11,605,000 (1988 nil) in respect of Cadillac.

<b>3 Operating profit by class of business</b>	<b>1989</b>	<b>1988</b>
	£'000	£'000
Tyres/Motorway	5,208	7,684
Industrial Polymers	11,179	9,422
Inflatables	474	1,559
Associated companies	279	638
	<u>17,140</u>	<u>18,904</u>

The results of Motorway to the date of disposal are included.

Industrial Polymers includes £909,000 (1988 nil) in respect of Cadillac.

<b>4 Interest payable and similar charges</b>	<b>1989</b>	<b>1988</b>
	£'000	£'000
On bank loans, overdrafts and other loans repayable:		
within 5 years, not by instalments	1,867	656
within 5 years, by instalments	201	116
after 5 years, by instalments	9	32
	<u>2,077</u>	<u>1,000</u>
Other interest payable and similar charges	2,599	1,637
	<u>4,676</u>	<u>2,637</u>

Other interest payable and similar charges includes £590,000 (1988 £478,000) in respect of finance leases.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Associated companies

	1989	
	£000	£000
Group share of profits		539
Less: taxation		
dividend	105	
	109	
Retained by associated companies		65

Name of Company	Share Capital	Held by the group	Accounting Date	Basis of Consolidation
Ames-Avon Industries USA	2,000 shares of no par value	49%	31st December	Audited accounts for 1988. Unaudited accounts to September 1989
Avon Rubber Company (Kenya) Limited Kenya	586,300 shares of 20 shillings each	36%	30th September	Audited accounts for 1989
Avon Marketing Services (Kenya) Limited Kenya	130,000 shares of 20 shillings each	33%	30th September	Audited accounts for 1989
Avon Export Services Limited Kenya	1,760 shares of 20 shillings each	32%	30th September	Audited accounts for 1989
Avonride Limited England	100,000 shares of £1 each	25%	31st December	Audited accounts for 1988

### 6 Trading results of operations outside the United Kingdom

	1989	1988
	£'000	£'000
Contribution to group sales:		
Ireland	1,204	1,134
France	14,553	13,319
Other E.C. countries	5,163	5,210
Other European countries	4,609	4,327
North America	24,309	2,170
Others	—	487
	49,838	34,197
Contribution to group operating profit:		
Ireland	(83)	420
France	766	1,167
Other E.C. countries	58	12
Other European countries	220	249
North America	1,851	664
Others	—	1,131
	2,812	3,633

## NOTES TO THE FINANCIAL STATEMENTS

<b>7 Profit on ordinary activities before taxation</b>	<b>1989</b>	
	<b>£'000</b>	
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	127	
and after charging:		
Depreciation for year on tangible fixed assets	6,314	
Auditors' remuneration	292	
Operating leases:		
plant and machinery	1,196	
other assets	1,501	
(Gain)/loss on foreign exchange	(76)	

<b>8 Taxation</b>	<b>1989</b>	
	<b>£'000</b>	
The taxation charge, based on the results for the year, comprises:		
United Kingdom corporation tax	3,023	
Overseas taxes	575	
Associated companies	105	
	<u>3,703</u>	<u>4,902</u>

The charge for United Kingdom corporation tax at the rate of 35% (1988 35%) is in respect of the profits for the year reduced by an excess of capital allowances over depreciation of £1,739,000 (1988 £1,054,000)

	<b>1989</b>	<b>1988</b>
	<b>£'000</b>	<b>£'000</b>
If deferred taxation was accounted for on the liabilities basis at 35% (1988 35%) the potential liability at the year end would be:		
Capital allowances	2,499	1,980
Other timing differences	152	424
Advance corporation tax	(838)	(205)
	<u>1,813</u>	<u>1,199</u>

Accumulated profits retained by overseas subsidiary companies, amounting to £2,490,000 (1988 £1,687,000), would be subject to additional taxation of approximately £240,000 (1988 £179,000) if distributed to their parent companies in the United Kingdom.

<b>9 Dividends</b>	<b>1989</b>	<b>1988</b>
	<b>£'000</b>	<b>£'000</b>
Paid:		
4.9% cumulative preference shares	25	25
Ordinary shares 5% interim (1988 4%)	834	606
Proposed:		
Ordinary shares 11.5% final (1988 10%)	2,398	1,660
	<u>3,257</u>	<u>2,357</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Extraordinary items

	1988	1989
	£'000	£'000
Profits arising on disposals of:		
Motorway Tyres and Accessories Limited	13,323	
Motorway Tyres and Batteries Limited	47	13,370
Costs arising on rationalisation in:		
Avon Tyres Limited		
Motorway Tyres and Accessories Limited		
Avon Industrial Polymers Limited		
		13,370
Taxation relief		-
		13,370
		(2,180)

No taxation is expected to arise on the profits on disposals due to the availability of capital losses.

### 11 Earnings per share

Earnings per share, calculated in accordance with Statement of Standard Accounting Practice No. 3, amounts to 42.6p (1988 £2 4p, 1989 49.7p after rationalisation) and is based on a profit of £7,710,000 (1988 £10,720,000) and 18,107,000 ordinary shares (1988 20,659,000) being the weighted average of the shares in issue during the year. The 1988 figures have been restated.

### 12 Pensions

The group operates a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Rubber p.l.c. and its subsidiary companies in the UK. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The trustee is Avon Rubber Pension Trust Limited, the directors of which are members of the plan and are nominated by the members and the company.

The funding of the plan is based on triennial actuarial valuations. The most recent actuarial valuation as at 5th April 1988 showed that the market value of the plan's assets was £81,939,000 and that the actuarial value of these assets represented 106% of the value of the benefits which had accrued to members, after allowing for projected future increases in salaries. The principal actuarial assumptions adopted in the valuation are that the annual rate of return on investments would be 1% higher than the annual increase in total pensionable remuneration and 6% higher than the annual increase in present and future pensions in payment. Pension costs are assessed on the advice of an independent qualified actuary using the projected unit credit method. The cost to the group in the year ended 30th September 1989 in respect of UK employees was £4,235,000 (1988 £3,101,000) which sum reflects the increased cost of recent improved benefits.

For employees overseas, pension arrangements are principally defined contribution plans. The group's policy is to fund the amounts required by local legislation and benefits are generally insured.

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Employees

	1989	1988
	£'000	£'000
Staff costs during the year were:		
Wages and salaries	59,322	57,071
Social security costs	5,482	5,112
Other pension costs	4,899	4,510
	<u>69,703</u>	<u>66,693</u>

The average weekly number of employees including those overseas during the year was:	Numbers	Numbers
Tyres/Motorway	2,350	2,350
Industrial Polymers	2,181	2,181
Inflatables	363	363
Cadillac	318	318
Parent company	134	134
	<u>5,346</u>	<u>5,346</u>

The actual number of employees at 30th September 1989 was 5,287 (1988 5,344)

Directors' remuneration:	£'000	£'000
Fees	21	20
Other emoluments	341	320
	<u>362</u>	<u>340</u>

The directors' remuneration disclosed above includes amounts paid to:	£'000	£'000
The chairman	16	12
The highest paid director	92	82

Other directors' emoluments	Numbers	Numbers
£0-£5,000	1	1
£5,001-£10,000	2	3
£15,001-£20,000	—	1
£20,001-£25,000	—	2
£25,001-£30,000	3	—

#### 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:

	1989		1988	
	Group	Parent	Group	Parent
£30,001-£35,000	16	5	14	5
£35,001-£40,000	8	1	9	1
£40,001-£45,000	2	—	4	—
£45,001-£50,000	2	—	2	—
£50,001-£55,000	3	—	1	—
£55,001-£60,000	—	—	1	—
£60,001-£65,000	—	—	—	—
£65,001-£70,000	1	—	—	—

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Tangible fixed assets — group

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
<b>Cost and valuation:</b>					
At 1st October 1988	11,784	932	1,091	52,567	76,374
Exchange differences	106	1	—	347	454
Acquisitions	4,022	—	—	9,617	13,639
Additions at cost	2,033	—	51	15,618	17,718
Disposals	(4,305)	(318)	(845)	(7,665)	(13,133)
At 30th September 1989	<u>13,640</u>	<u>615</u>	<u>313</u>	<u>80,484</u>	<u>95,052</u>
<b>Depreciation:</b>					
At 1st October 1988	1,470	146	494	38,963	41,073
Exchange differences	23	—	—	256	279
On acquisitions	1,030	—	—	3,174	4,204
For the year	261	17	58	5,978	6,314
On disposals	(479)	(52)	(292)	(5,260)	(6,083)
At 30th September 1989	<u>2,305</u>	<u>111</u>	<u>260</u>	<u>43,111</u>	<u>45,787</u>
Net book value at 30th September 1989	<u>11,335</u>	<u>504</u>	<u>53</u>	<u>37,373</u>	<u>49,265</u>
Net book value at 1st October 1988	<u>10,314</u>	<u>786</u>	<u>597</u>	<u>23,604</u>	<u>35,301</u>
<b>Fixed assets comprise:</b>					
Cost	9,658	—	157	80,484	90,299
Valuation 1980	3,982	615	156	—	4,753
	<u>13,640</u>	<u>615</u>	<u>313</u>	<u>80,484</u>	<u>95,052</u>
Basis of the 1980 valuation was open market and existing use.				1989 £'000	1988 £'000
<b>Net tangible assets comprise:</b>					
Owned assets				39,916	20,400
Leased assets				9,349	8,695
				<u>49,265</u>	<u>35,501</u>
<b>Depreciation for the year comprises:</b>					
Owned assets				4,050	3,416
Leased assets				2,264	1,894
				<u>6,314</u>	<u>5,280</u>
If land and buildings had not been revalued they would have been included in the financial statements at the following amounts:					
	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000		
Cost	15,029	327	152		
Depreciation	4,083	106	144		
Net book value at 30th September 1989	<u>10,946</u>	<u>221</u>	<u>8</u>		
Net book value at 1st October 1988	<u>8,709</u>	<u>366</u>	<u>534</u>		



## NOTES TO THE FINANCIAL STATEMENTS

### 15 Tangible fixed assets — Avon Rubber p.l.c.

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
Cost and valuation:					
At 1st October 1988	5,727	615	60	3,253	9,655
Additions at cost	1,502	—	—	2,096	3,598
Inter company transfers	—	—	—	(10)	(10)
Disposals	(348)	—	—	(987)	(1,335)
At 30th September 1989	6,881	615	60	4,352	11,908
Depreciation:					
At 1st October 1988	621	99	37	1,482	2,239
For the year	89	12	15	698	814
On inter company transfers	—	—	—	(2)	(2)
On disposals	(42)	—	—	(979)	(1,021)
At 30th September 1989	668	111	52	1,199	2,030
Net book value at 30th September 1989	6,213	504	8	3,153	9,878
Net book value at 1st October 1988	5,106	516	23	1,771	7,416
Fixed assets comprise:					
Cost	2,899	—	60	4,352	7,311
Valuation 1980	3,982	615	—	—	4,597
	6,881	615	60	4,352	11,908
Basis of the 1980 valuation was open market and existing use.				1989 £'000	1980 £'000
Net tangible assets comprise:					
Owned assets				7,413	6,285
Leased assets				2,465	1,121
				9,878	7,406
Depreciation for the year comprises:					
Owned assets				253	215
Leased assets				561	496
				814	624

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

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000
Cost	8,270	327	60
Depreciation	2,444	106	52
Net book value at 30th September 1989	5,826	221	8
Net book value at 1st October 1988	4,764	227	23

## NOTES TO THE FINANCIAL STATEMENTS

### 16 Fixed asset investments — group

	Unlisted associated companies £'000	Other unlisted investments £'000	Total £'000
Cost:			
At 1st October 1988	281	19	300
Unrealised exchange differences	7	—	7
Transfer from subsidiary company	—	800	800
Disposals	—	(19)	(19)
At 30th September 1989	288	800	1,088
Group share of undistributed profits in associated companies:	£'000		
At 1st October 1988	1,070		
Unrealised exchange differences	(35)		
For the year	65		
At 30th September 1989	1,100	—	1,100
Net book value at 30th September 1989	1,388	800	2,188
Net book value at 1st October 1988	1,351	19	1,370

A list of associated companies appears on page 37.

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

	Subsidiary companies £'000	Unlisted associated companies £'000	Other unlisted investments £'000	Total £'000
Cost:				
At 1st October 1988	20,629	25	10	20,664
Additions	56,976	—	800	57,776
Disposals	(3,535)	—	(10)	(3,545)
At 30th September 1989	74,070	25	800	74,895
Amounts written off:				
At 1st October 1988	719	—	—	719
Additions	194	—	—	194
On disposals	(653)	—	—	(653)
At 30th September 1989	260	—	—	260
Net book value at 30th September 1989	73,810	25	800	74,635
Net book value at 1st October 1988	19,910	25	10	19,945

Additions includes £56,781,000 representing capitalisation of loans in certain subsidiary companies.

A list of subsidiary and associated companies appears on page 37.

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Other unlisted investments

The investment at 30th September 1989 represents 30% of the original cost of Motorway Tyres and Accessories Limited

The company sold 70% of the shares of Motorway to SP Tyres UK Limited on 31st May 1989. SP Tyres has an option to acquire the outstanding 30% at any time after 31st May 1992 for a consideration of £7,500,000 adjusted by 30% of Motorway's profits or losses since 31st May 1989. The company has the right to require SP Tyres to purchase the 30% holding at any time after 31st May 1999 on similar terms. No statutory accounts of Motorway have been prepared since disposal. At 30th September 1989 the consideration would have been reduced by approximately £280,000 representing the company's share of Motorway's losses to that date.

In the opinion of the directors the disposition of the shareholdings in Motorway prevents the company exercising significant influence and accordingly Motorway, although a related company, is not accounted for as an associated company.

### 19 Other financial commitments

	1989			
	Group £'000	Parent £'000		
Capital expenditure	2,361	74		
Future capital expenditure	12,828	121		

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

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:

	1989		1988	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
For leases expiring:				
Within 1 year	152	94	82	183
In 2-5 years	7	385	26	769
Over 5 years	548	8	1,472	—
	<u>707</u>	<u>487</u>	<u>1,580</u>	<u>952</u>

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

### 20 Stocks

	1989 £'000	1988 £'000
Raw materials	9,906	6,323
Work in progress	9,389	5,468
Finished goods	<u>21,300</u>	<u>22,133</u>
	<u>40,595</u>	<u>33,950</u>

## NOTES TO THE FINANCIAL STATEMENTS

21 Debtors — group	£'000	1989	£'000		
Amounts falling due within one year:					
Trade debtors	37,117				
Associated companies	45				
Related company	2,440				
Other debtors	2,050				
Prepayments	2,169		44,721		
Amounts falling due after one year:					
Related company	4,127				
Other debtors	546		4,673		
			<u>49,394</u>		<u>47,067</u>
22 Debtors — Avon Rubber p.l.c.	£'000	1989	£'000		
Amounts falling due within one year:					
Trade debtors	260				
Subsidiary companies	4,849			2,112	
Other debtors	1,297			47	
Prepayments	42		6,448		1,151
Amounts falling due after one year:					
Related company	4,127				
Other debtors	—		4,127		1,151
			<u>10,575</u>		<u>30,260</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Creditors — group.

	1989	
	£'000	
Amounts falling due within one year:		
Current instalments due on loans	329	
Bank overdrafts and loans	13,453	
Trade creditors	23,714	
Finance leases	4,231	
Bills of exchange	2,228	
Acceptance credits	—	
Corporation tax	3,549	
Other taxation and social security	4,369	
Other creditors	2,773	
Accruals	6,130	
Proposed dividend on ordinary shares	2,398	
	<u>63,174</u>	<u>61,006</u>
Amounts falling due after one year:		
Loans (secured £1,325,000) (1988 £315,000)	4,241	3,17
Current instalments due	(329)	442
	<u>3,912</u>	359
Bank loans at 1% above Paris inter bank offer rate, repayable in 1993	2,276	201
Bank loan at 7/8% above inter bank Eurodollar rate, repayable in 3 equal annual instalments commencing June 1992	16,296	—
Trade creditors	98	254
Finance leases up to 5 years	5,266	5,266
Finance leases over 5 years	72	—
Corporation tax	38	404
Other creditors	3,768	611
	<u>31,726</u>	<u>9,511</u>

Loans are repayable in annual instalments at rates of interest varying between 7 1/2% and 12 3/4% per annum

The borrowings of the group are repayable:

	1989	1988	
	Bank overdrafts and loans	Bank overdrafts and loans	Other borrowings
	£'000	£'000	£'000
Within 1 year or on demand	13,782	5,234	2,165
In 1-2 years	295	197	—
In 2-5 years	22,153	2,628	—
Over 5 years	36	69	—
	<u>36,266</u>	<u>11,228</u>	<u>2,165</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Creditors — Avon Rubber p.l.c.

	1989 £'000	1988 £'000
Amounts falling due within one year:		
Bank overdrafts	—	680
Trade creditors	196	731
Finance leases	562	500
Acceptance credits	—	2,100
Subsidiary companies	—	2,500
Corporation tax	1,124	300
Other taxation and social security	901	400
Other creditors	803	—
Accruals	1,223	400
Proposed dividend on ordinary shares	2,398	2,000
	<u>7,207</u>	<u>15,305</u>
Amounts falling due after one year:		
Bank loan at 1% above Paris inter bank offer rate, repayable in 1993	1,915	—
Bank loan at 3/4% above inter bank Eurodollar rate, repayable in 3 equal annual instalments commencing June 1992	16,296	—
Finance leases up to 5 years	1,723	672
Corporation tax	—	0
Other creditors	1,000	—
	<u>20,934</u>	<u>672</u>

### 25 Contingent liabilities

	1989		1988	
	Group £'000	Parent £'000	Group £'000	Parent £'000
Overdraft facilities and loans of subsidiary companies	—	4,402	—	3,657
Bills under discount	694	—	210	—
Bills payable endorsed	—	943	—	671
Other guarantees	939	210	472	391
	<u>1,633</u>	<u>5,555</u>	<u>682</u>	<u>4,919</u>

## NOTES TO THE FINANCIAL STATEMENTS

26	Share capital	1989	
		£'000	
	Authorised:		
	27,000,000 (1988 25,428,000) ordinary shares of £1 each	27,000	
	500,000 4.9% cumulative preference shares of £1 each	500	
		<u>27,500</u>	
	Called up, allotted and fully paid:		
	20,851,995 (1988 18,660,396) ordinary shares of £1 each	20,852	
	500,000 4.9% cumulative preference shares of £1 each	500	
		<u>21,352</u>	<u>17,160</u>

During the year 4,170,139 fully paid ordinary shares were issued at a premium of £4.00 per share in part satisfaction of the purchase of the Cadillac group of companies. A further 21,460 shares were issued pursuant to the executive and the savings related share option schemes.

Under the Executive Share Option Scheme 1986, directors and others hold options to subscribe for the following number of ordinary shares of £1 each. The options are exercisable between January 1990 and June 1998.

	At the beginning of the year		At the end of the year	
	Number	Option Price (£)	Number	Option Price (£)
J.R. Bradbeer	57,851	2.85	59,762	2.75
	1,600	3.68	1,652	3.56
	5,990	7.00	6,187	6.77
D.J. Hudson	34,245	2.85	35,376	2.75
	12,953	6.06	13,381	5.86
A.K. Mitchard	63,300	2.85	65,391	2.75
	12,000	3.68	12,396	3.56
	9,574	7.00	9,890	6.77
B. Stacey	59,619	2.85	61,589	2.75
Others	45,903	2.85	33,403	2.75
	27,173	3.68	28,070	3.56
	30,000	6.68	30,990	6.46

Options at the end of the year have been adjusted to reflect the rights issue.

Under the Savings Related Share Option Scheme 1981, employees of the group have options to subscribe for 126,280 ordinary shares of £1 each exercisable between October 1989 and December 1996 at prices ranging between £1.00 per share and £6.05 per share.



## NOTES TO THE FINANCIAL STATEMENTS

### 27 Share premium account and reserves — group

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1st October 1988	12,950	—	1,727	17,299
Premium arising on rights offer	—	16,680	—	—
Premiums on share options	25	—	—	—
Revaluation surplus now realised	—	—	(150)	(15)
Transfer from revaluation reserve to profit and loss	—	—	(8)	8
Disposal of subsidiaries	—	—	(1,183)	46
Goodwill on purchase of shares in Cadillac group and business of TR Slinger	—	(16,680)	—	(19,175)
Unrealised exchange differences	—	—	—	165
Retained profit for year	—	—	—	17,848
At 30th September 1989	<u>12,975</u>	<u>—</u>	<u>386</u>	<u>16,186</u>
Avon Rubber p.l.c. and subsidiaries	12,975	—	386	15,066
Associated companies	—	—	—	1,100
At 30th September 1989	<u>12,975</u>	<u>—</u>	<u>386</u>	<u>16,186</u>

The premium arising on the shares issued in connection with the acquisition of Cadillac has been credited to merger reserve in accordance with the merger relief provisions of Section 131 of the Companies Act 1985.

Unrealised exchange differences include £311,000 profit (1988 £81,000 loss) on foreign currency borrowings relating to overseas investments.

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

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1st October 1988	12,950	—	282	11,246
Net premium arising on rights offer	—	16,439	—	—
Premiums on share options	25	—	—	—
Transfer from revaluation reserve to profit and loss	—	—	(4)	4
Unrealised exchange differences	—	—	—	311
Retained profit for year	—	—	—	14,367
At 30th September 1989	<u>12,975</u>	<u>16,439</u>	<u>278</u>	<u>26,528</u>

Net premium arising on the rights offer is after writing off expenses of £241,000.

Unrealised exchange differences are in respect of foreign currency borrowings relating to overseas investments.

## SUBSIDIARY AND RELATED COMPANIES

at 30th September 1989

Held by parent company		Country of incorporation
Avon Industrial Polymers Limited		England
Avon Inflatables Limited		England
Avon Rubber Company East Africa Limited		England
Avon Rubber Overseas Limited		England
Avon Rubber Pension Trust Limited		England
Avon Tyres Limited	80%	England
Nova Insurance Limited		Guernsey
Held by subsidiary companies		
Avon-Ames Limited	51%	England
Avon Cadillac Companies Inc.		U.S.A.
Avon Caoutchouc SA		France
Avon Illinois Inc.		U.S.A.
Avon Reifen (Deutschland) GmbH		W. Germany
Avon North America Inc.		U.S.A.
Avon Seagull Marine Inc.		U.S.A.
Avon (Suisse) SA		Switzerland
Avon Technical Services Limited		England
Avon Tyres Overseas Limited		England
Bell Avon Inc.	80%	U.S.A.
Cadillac Rubber and Plastics Inc.		U.S.A.
Cadimex SA de CV		Mexico
Cadtex Company		U.S.A.
CQC PLC		England
Galt Composites Limited		England
Injected Rubber Products Corporation		U.S.A.
Sillinger SA		France
Société Française des Caoutchoucs Spencer-Mouillon		France
Tabur Caoutchouc SA		France
Associated companies		
Ames-Avon Industries	49%	U.S.A.
Avon Export Services Limited	32%	Kenya
Avon Marketing Services (Kenya) Limited	33%	Kenya
Avon Rubber Company (Kenya) Limited	36%	Kenya
Avonride Limited (held by parent company)	25%	England
Related company		
Motorway Tyres and Accessories Limited (held by parent company)	30%	England

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

The country of incorporation is the principal place of operation. A number of non-trading and small subsidiary companies have been omitted on the grounds of immateriality.

## AUDITORS' REPORT

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

We have audited the financial statements on pages 18 to 37 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th September 1989, and of the profits and source and application of funds of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Haskins & Sells*

Deloitte Haskins & Sells  
Chartered Accountants  
Bristol

17th January 1990

## FIVE YEAR RECORD

	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000
Turnover	228,590	220,835	207,524	200,000	190,000
Profit on trading	23,175	23,843	17,223	12,510	17,100
Share of profits of associated companies	279	512	616	500	100
	23,454	24,355	17,839	13,010	17,200
Depreciation	6,314	5,223	4,901	3,900	3,900
Operating profit	17,140	19,132	12,938	9,110	13,300
Interest payable and similar charges	4,676	2,637	2,436	3,000	2,700
Profit before taxation	12,464	16,495	10,502	6,110	10,600
Taxation	3,703	4,902	3,923	582	413
Profit after taxation	8,761	11,593	7,579	5,528	10,187
Minority interests	1,026	620	253	125	46
	7,735	10,973	7,326	5,403	10,233
Extraordinary profit	13,370	—	—	—	—
Extraordinary costs	—	2,180	4,261	1,226	—
Profit attributable to Avon shareholders	21,105	8,565	3,401	3,589	10,233
Preference dividends	25	25	25	25	25
Ordinary dividends	3,232	2,332	1,664	865	700
Retained profit	17,848	6,208	1,712	2,699	2,260
Fixed assets and investments	51,453	36,671	30,563	25,645	26,806
Working capital	40,924	33,566	26,174	24,782	21,313
Assets employed	92,377	70,237	56,737	50,427	48,119
Financed by:					
Ordinary share capital	20,852	16,660	16,645	13,303	13,302
Reserves attributable to Avon shareholders	29,547	31,976	26,810	21,464	21,071
Preference share capital	500	500	500	500	500
Minority shareholders' interests	7,356	923	558	354	279
Shareholders' capital employed	58,255	50,059	44,513	35,621	35,152
Net borrowings	34,122	20,178	12,224	14,806	13,566
Capital employed	92,377	70,237	56,737	50,427	48,718
Earnings per share	42.6p	62.4p*	46.2p*	36.6p*	27.3p*
Dividends per share	16.5p	14.0p	10.0p	6.5p	5.7p

\* Adjusted for rights issues

## SHAREHOLDERS AND FINANCIAL CALENDAR

### **Shareholders**

On 31st December 1969 the company had the following number of shareholders:

£1 ordinary shares	2,020
4.9% cumulative preference shares	68

Of the ordinary shareholders 1,309 (64.8%) had holdings of 1,000 shares or less.

### **Financial calendar**

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

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

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.