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Activities and review of operations

The Group is an international healthcare business whose principal activities are the manufacture and sale of medical and healthcare products for patient care, medical supplies and equipment, medical and other textiles, consumer products including toiletries, personal hygiene and plastic products. Further details of principal products are shown on the inside front cover of the 1989 Report to Shareholders.

The Chief Executive's Review, on pages 7 to 21 of the 1989 Report to Shareholders includes a summary of the Group's operations for the year, the likely future developments of the business, and the activities in the field of research and development.

Results, dividends and appropriations

The Group's results for the year are set out in the Group Profit and Loss Account on page 4. An interim dividend of 1.735 pence per ordinary share was paid on 15 December 1989. The Directors recommend a final dividend of 2.515 pence per ordinary share, making a total for the year of 4.25 pence. The final dividend, if approved, is payable on 5 July 1990 to Shareholders whose names appear on the Register at the close of business on 1 June 1990.

After dividends paid and proposed totalling £42.0m, retained profit for the year is £54.6m.

Contributions

Contributions to political organisations – none (1988 – none). Contributions to charitable organisations, including the Smith & Nephew Foundation £360,000 (1988 – £325,000), amounted to £901,000 (1988 – £619,000), of which £381,000 (1988 – £342,000) were in the United Kingdom.

Land and buildings

The Directors are of the opinion that the current market value of land and buildings is in excess of the net book amount of £78.6m shown in the accounts. However, in the absence of a current professional valuation, they are unable to quantify this excess and have no present intention of making any significant disposals of properties.

Shareholdings

So far as is known at 22 March 1990 no person held or was beneficially interested in 5% or more of the share capital of the Company.

Directors

The Board of Directors during the period under review, save as noted below, were those persons listed on page 5 of the 1989 Report to Shareholders.

The two independent non-executive Directors are:

Mr M Alastair F Macpherson, aged 45. Partner of Ashurst Morris Crisp. Director of Thomas Jourdan plc.

Sir Francis Kennedy, KCMG, CBE, aged 63. Diplomatic Service from 1964 to 1986. Chairman of Fluor Daniel Limited. Director of British Airways plc and Leslie & Godwin Limited.

The Directors retiring by rotation, in accordance with the Company's Articles of Association, are Mr J H Robinson, Mr A R Fryer and Mr M A F Macpherson. Mr J R Blair and Mr L Fern were appointed Directors on 23 February 1989 and in accordance with the Company's Articles of Association were elected at the Company's 1989 Annual General Meeting. Mr J L Rennocks resigned from the Board on 25 March 1989 and Mr L Fern resigned from the Board on 6 December 1989.

Directors' Interests

	Ordinary Shares of 10p each fully paid		Options on Ordinary Shares of 10p each	
			Executive schemes	Employee scheme
At 30 December 1989	Beneficial	Non-Beneficial	Beneficial	Beneficial
K R Kemp	549,532	20,708	726,078	–
E Kinder	680,416	40,000	395,896	17,818
J H Robinson	140,000	–	263,792	6,352
J R Blair	12,838	–	200,000	11,216
A R Fryer	83,010	–	227,488	10,339
Sir F Kennedy	5,000	–	–	–
M J Kiely	13,611	–	313,714	29,363
M A F Macpherson	10,000	–	–	–
At 1 January 1989 (or on appointment, if later)				
K R Kemp	548,929	20,708	726,078	–
E Kinder	253,874	40,000	922,438	9,212
J H Robinson	140.000	–	249,768	6,352
J R Blair	8,268	–	100,000	–
A R Fryer	82,719	–	199,976	–
Sir F Kennedy	5,000	–	–	–
M J Kiely	13,611	–	297,668	16,454
M A F Macpherson	10,000	–	–	–

There were no changes in the interests of the Directors between 30 December 1989 and 23 February 1990.

The options granted to Directors of the Company under the Sanaco Executive Share Option Scheme and the Smith & Nephew 1985 Share Option Scheme are exercisable between 1990 and 1999 at the price at which the shares stood when the options were granted as adjusted for subsequent scrip issues. The prices range between 28.81p and 146p per share.

The options granted to Directors under the Smith & Nephew Employee Share Option Scheme are exercisable between 1990 and 1997 at prices ranging between 45.31p and 131.4p per share.

Mr M A F Macpherson is a partner in Ashurst Morris Crisp, the Group's solicitors. This firm is instructed in the ordinary course of business and at normal professional rates. With this exception, none of the Directors has a material beneficial interest in any contract to which the Company or any of its subsidiaries were a party in 1989.

None of the Directors has a service contract of more than one year's duration.

Employee policies

During the financial year we have continued to provide employees with relevant information and to seek their views on matters of common concern both through their representatives and through line managers. This has been reinforced by arrangements for communication through the Group's newspaper, the Smith & Nephew Reporter, the Group's annual Report to Shareholders, the granting of options under the terms of the share option schemes and the allocation of options to the trustees of Group pension schemes; at 30 December 1989, 40 per cent of all Group employees worldwide had interests in the Company's shares through these share option schemes. Further encouragement is given to employee involvement in the success of the Company by means of a gift of shares to employees who have completed twenty years' service and again on completion of thirty years' service; during the year 277 employees received shares under this long service award scheme.

The Group encourages the employment of disabled people wherever practical according to the circumstances of each situation. Particular efforts are made to retain existing employees who become disabled. The Group has adopted a defined policy regarding employment of disabled people, in line with the United Kingdom code of good practice on the employment of disabled people, and the operation of this policy is regularly reviewed at senior level.

53rd Annual General Meeting

The Notice of the Company's 53rd Annual General Meeting to be held on Tuesday 15 May 1990 at 11.00 a.m. in the Great Room of the Grosvenor House Hotel, Park Lane, London W1 is enclosed together with explanatory notes on particular resolutions. Your Board unanimously recommends ordinary Shareholders to vote in favour of the resolutions set out in the Notice of Meeting.

Auditors

Ernst & Whinney and Arthur Young merged their practices on 1 September 1989 and now practise in the name of Ernst & Young. Accordingly they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Income and Corporation Taxes Act 1988

The Company is not a close company under the provisions of this Act.

By Order of the Board
C K Lomax Secretary
22 March 1990

CK Lomax

	Notes	1989 £m	1988 £m
Turnover	1	**710.1**	597.9
Operating profit	1, 2	**147.7**	120.4
Net cost of borrowings	3	**8.0**	4.1
		139.7	116.3
Attributable profits of related companies	4	**4.3**	7.9
Profit on ordinary activities before taxation		**144.0**	124.2
Tax on profit on ordinary activities	7	**37.5**	36.2
Profit on ordinary activities after taxation		**106.5**	88.0
Dividend on convertible preference shares		**6.9**	—
Profit before extraordinary items		**99.6**	88.0
Less extraordinary items	8	**3.0**	2.9
Profit for the financial year	9	**96.6**	85.1
Dividends	10	**42.0**	37.2
Retained profit for the year	23	**54.6**	47.9
Earnings per ordinary share	11	**10.1p**	9.1p
Fully diluted earnings per share	11	**9.6p**	8.7p

A statement on the movement of reserves can be found in note 23.

At 30 December 1989	Notes	1989 £m	1988 £m
Fixed assets			
Tangible assets	12	227.5	184.1
Investments	13	10.5	30.6
		238.0	214.7
Current assets			
Stocks	14	189.4	147.9
Debtors	15	196.6	161.7
Investments	16	77.9	40.7
Cash at bank and in hand	17	140.3	141.2
		604.2	491.5
Creditors: Amounts falling due within one year			
Loans	17	225.4	138.2
Taxation		42.9	31.8
Dividend		24.9	22.2
Trade and other creditors	18	122.6	105.8
		415.8	298.0
Net current assets		188.4	193.5
Total assets less current liabilities		426.4	408.2
Creditors: Amounts falling due after more than one year			
Loans	17	151.4	149.6
Taxation		0.1	1.0
Other creditors		3.4	3.5
		154.9	154.1
Provisions for liabilities and charges	19	9.1	6.0
		262.4	248.1
Capital and reserves			
Called up share capital	20	99.1	97.6
Share premium account	22	51.8	37.8
Other reserves	23	5.3	22.5
Profit and loss account	23	26.2	90.2
		182.4	248.1
Convertible preference shares issued by Smith & Nephew Finance NV	24	80.0	—
		262.4	248.1

Approved by the Board on 22 March 1990

K R Kemp Director

E Kinder Director

	1989 £m	1988 £m
Funds from operations		
Operating profit	147.7	120.4
Net cost of borrowings	(8.0)	(4.1)
Depreciation (including loss on asset sales)	23.4	17.1
Income from related companies	1.2	8.8
Extraordinary items (net of taxation)	(3.0)	(2.9)
	161.3	139.3
Funds from other sources		
Proceeds of share issues	2.0	1.8
Sale of tangible fixed assets	4.0	3.7
Disposals of subsidiaries and fixed asset investments	23.4	16.9
	29.4	22.4
Total inflow of funds	190.7	161.7
Application of funds		
Increase in working capital		
Stocks	27.1	13.6
Debtors	10.2	24.5
Creditors	(7.3)	(3.9)
	30.0	34.2
Purchase of tangible fixed assets	57.6	42.0
Acquisitions of subsidiaries and fixed asset investments less shares issued in consideration (see note)	63.7	55.3
Taxation	35.1	32.8
Dividends	39.3	34.3
Total application of funds	225.7	198.6
Net outflow of funds	(35.0)	(36.9)
Exchange difference on foreign currency net borrowings	(19.1)	(3.9)
Net borrowings in subsidiaries acquired/sold	(1.0)	2.7
Bond conversions	2.4	6.4
Increase in net borrowings	(52.7)	(31.7)
Short term borrowings less cash and current asset investments	(50.9)	(22.3)
Borrowings repayable after one year	(1.8)	(9.4)
	(52.7)	(31.7)

Note	£m
The application of funds relating to acquisitions in 1989 is arrived at as follows:	
Cost of acquisition of Ioptex	139.9
less: shares issued in consideration	(91.1)
	48.8
Cost of investment in Cederroth	9.4
Other	5.5
	63.7

At 30 December 1989	Notes	1989 £m	1988 £m
Fixed assets			
Tangible assets	12	**2.2**	2.2
Investments	13	**132.1**	129.3
		134.3	131.5
Current assets			
Debtors	15	**425.8**	277.2
Investments	16	**–**	15.0
Cash at bank and in hand	17	**25.4**	16.6
		451.2	308.8
Creditors: Amounts falling due within one year			
Loans	17	**93.2**	81.6
Taxation		**15.4**	12.2
Dividend		**24.9**	22.2
Trade and other creditors	18	**162.8**	50.2
		296.3	166.2
Net current assets		**154.9**	142.6
Total assets less current liabilities		**289.2**	274.1
Creditors: Amounts falling due after more than one year			
Loans	17	**113.6**	116.0
		113.6	116.0
Provisions for liabilities and charges	19	**0.3**	0.1
		175.3	158.0
Capital and reserves			
Called up share capital	20	**99.1**	97.6
Share premium account	22	**51.8**	37.8
Other reserves	23	**2.6**	2.6
Profit and loss account	23	**21.8**	20.0
		175.3	158.0

Approved by the Board on 22 March 1990

K R Kemp Director
E Kindor Director

The accounts have been prepared under the historical cost convention modified to include certain assets at valuation.

Consolidation

The consolidated accounts include the accounts of the Company and the accounts of all the subsidiary and related companies during the fifty-two week period ended 30 December 1989 for the periods during which they were members of the Group.

Related companies

Related companies are those companies in which the Group has a beneficial interest of 20% to 50% in the equity capital or where the group exercises significant influence over commercial and financial policy decisions. The consolidated balance sheet includes the Group's share of the underlying net assets of related companies.

Goodwill

Goodwill, representing the excess of the cost of shares in subsidiary and related companies over the fair value of their net tangible assets at the dates of acquisition, is written off direct to reserves in the year of acquisition.

Foreign currencies

Balance sheet items of overseas companies and foreign currency borrowings are translated into sterling at the year-end rates of exchange. Profits and losses of overseas subsidiaries and related companies are translated at the average rates for the year, except where profits and losses are matched with forward currency transactions.

Translation differences

Exchange differences arising in the consolidated accounts on the translation at closing rates of exchange of the net assets of overseas subsidiaries and related companies are recorded as movements on reserves. Where foreign currency borrowings are used to finance or hedge Group equity investments, the gain or loss arising on translation of these matched borrowings is offset as a movement on reserves. The differences arising between the translation of profits at average and closing rates of exchange are also recorded as movements on reserves. All other exchange differences are dealt with through the profit and loss account.

Depreciation

Depreciation is charged on the following bases:

Freehold and long leasehold land (leases 50 years or over) is not depreciated.

Freehold and long leasehold buildings are depreciated on a straight-line basis at between 1% and 5% of cost or valuation.

Short leasehold land and buildings (leases of under 50 years) are depreciated by equal annual instalments over the term of the lease.

Machinery, fixtures and vehicles are depreciated over lives ranging between five and twenty years by equal annual instalments to write down the assets to their disposal value at the end of their estimated working lives.

Leases

The cost of assets held under finance leases is capitalised within the appropriate tangible fixed asset heading and depreciation is provided in accordance with the Group's accounting policy for the category of asset concerned. The interest cost is charged over the term of the lease and the capital element of future lease payments is included in creditors. The cost of operating leases is charged to profit before tax as incurred.

Research and development

Revenue expenditure on research and development and on patents and trade marks is written off as incurred.

Deferred taxation

Deferred taxation is provided using the liability method on timing differences between tax allowances and related accounting treatments where these are regarded as likely to crystallise in the foreseeable future.

Stocks and work in progress

Finished goods and work-in-progress are valued at factory cost, including appropriate overheads, and raw materials at purchase price, reduced to net realisable values where lower.

Pension costs

Pension costs have been calculated in accordance with Statement of Standard Accounting Practice No 24 (see note 27 to the accounts).

1 **Turnover and operating profit**

Turnover comprises sales to third parties at the net amounts invoiced, excluding turnover taxes and non-trading items. Sales by Group companies to related companies are included, but sales by related companies are excluded. Turnover and operating profit were as follows:

	Turnover 1989 £m	Profit 1989 £m	Turnover 1988 £m	Profit 1988 £m
Analysis by activity				
Healthcare				
Patient care	**406.1**	**87.8**	315.8	67.7
Medical supplies and equipment	**115.4**	**24.5**	107.7	22.1
Consumer	**136.5**	**26.9**	119.9	22.8
Medical and other textiles	**47.4**	**3.9**	45.3	3.9
Plastics	**32.0**	**4.6**	34.1	3.9
	737.4	**147.7**	622.8	120.4
Sales between activities	**(27.3)**		(24.9)	
	710.1	**147.7**	597.9	120.4
Analysis by geographical region				
United Kingdom	**191.4**	**44.7**	176.2	37.3
Continental Europe	**118.1**	**20.8**	108.8	17.9
North America	**298.7**	**62.2**	227.7	48.5
Australasia and Asia	**76.2**	**10.6**	62.4	8.2
Africa and Middle East	**53.0**	**9.4**	47.7	8.5
	737.4	**147.7**	622.8	120.4

Export sales and profits are included in the region in which the customer is located.
Exports from the United Kingdom amounted to £52.3m (1988 – £50.8m) including £23.2m (1988 – £19.7m) to fellow subsidiary companies overseas.
North America includes sales in the USA of £255.8m (1988 – £185.5m).

2 **Operating profit**

	1989 £m	1988 £m
Turnover	**710.1**	597.9
Cost of sales	**(329.1)**	(302.2)
Gross profit	**381.0**	295.7
Selling and distribution costs	**(165.6)**	(125.6)
Administrative expenses	**(75.4)**	(59.4)
Other income net of expenses	**7.7**	9.7
Operating profit	**147.7**	120.4

Operating profit is stated after charging/(crediting) the following items:

	1989 £m	1988 £m
Depreciation	**22.9**	18.5
Research and development expenditure written off	**14.2**	13.2
Operating lease rentals		
land and buildings	**3.1**	2.4
plant and machinery	**3.4**	2.5
Auditors' remuneration	**1.1**	0.9
Income from unlisted fixed asset investments	**(0.3)**	(1.5)
Profit on disposal of fixed assets	**(3.5)**	(1.4)

3 Net cost of borrowings

	1989 £m	1988 £m
Interest payable:		
On bank borrowings	**24.4**	12.9
On other borrowings wholly repayable within 5 years	**2.5**	0.9
On other borrowings wholly or partly repayable after 5 years	**7.4**	7.3
	34.3	21.1
Interest capitalised	**(0.9)**	(0.6)
	33.4	20.5
Income from current asset investments	**(6.2)**	(4.2)
Interest receivable	**(19.2)**	(12.2)
	8.0	4.1

4 Related companies

Dividends received from related companies amounted to £1.0m (1988 – £8.4m)

5 Directors' emoluments

	£000	£000
Directors' fees, emoluments and pension contributions, including £538,000 (1988 — £147,000) payable to Directors who discharged their duties mainly outside the United Kingdom	**1054**	572
Pension payments in respect of retired Directors	**–**	68
Compensation for loss of office	**188**	–
Emoluments of the Chairman	**67**	34
Emoluments of the highest paid Director	**181**	142

The number of other Directors whose emoluments fall within the respective brackets are set out below. This information excludes those Directors who discharged their duties mainly outside the United Kingdom.

	Number within the range 1989	1988
£5,001 – £10,000	**–**	1
£10,001 – £15,000	**2**	1
£25,001 – £30,000	**1**	–
£65,001 – £70,000	**–**	1
£70,001 – £75,000	**–**	1
£80,001 – £85,000	**1**	–
£85,001 – £90,000	**–**	1
£105,001 – £110,000	**1**	–

Mr M A F Macpherson is a partner in Ashurst Morris Crisp, the Group's solicitors. This firm is instructed in the ordinary course of business and at normal professional rates.

6 Employees

	1989	1988
The average weekly number of employees during the year was:		
Production – direct	**6,686**	6,412
Production – indirect	**3,026**	2,998
Marketing, selling and distribution	**2,395**	2,249
Administration	**1,586**	1,535
Research and development	**710**	638
	14,403	13,832
UK	**5,655**	6,182
Overseas	**8,748**	7,650
	14,403	13,832

Staff costs during the year amounted to:	£m	£m
Wages and salaries: UK	**56.7**	55.6
Overseas	**115.8**	81.1
	172.5	136.7
Social security costs	**17.9**	14.0
Other pension costs	**3.3**	3.4
	193.7	154.1

	Numbers within range	
The number of UK employees, other than main board Directors, whose emoluments (excluding pension contributions) fall within the respective brackets are set out below:		
£30,001 – £35,000	**26**	17
£35,001 – £40,000	**10**	3
£40,001 – £45,000	**3**	3
£45,001 – £50,000	**3**	–
£50,001 – £55,000	**1**	1
£55,001 – £60,000	**1**	–
£65,001 – £70,000	**1**	–

7	Tax on profit on ordinary activities	1989 £m	1988 £m
	United Kingdom taxation for the year		
	Corporation tax at 35%	**18.3**	21.9
	Double taxation relief	**(5.4)**	(5.5)
	Deferred taxation	**2.1**	(2.2)
	Related companies	**1.0**	(1.3)
	Advance corporation tax	**(6.8)**	2.0
		9.2	14.9
	Overseas taxation for the year		
	Current taxation	**28.7**	22.4
	Deferred taxation	**(0.6)**	(1.2)
	Related companies	**0.2**	0.1
		28.3	21.3
	Taxation charged	**37.5**	36.2
	If full provision had been made for deferred tax, the tax charge would have been increased by £1.2m (1988 – £0.7m) as follows:		
	Fixed asset timing differences	**1.3**	0.5
	Other timing differences	**(0.1)**	0.2
		1.2	0.7

8	Extraordinary items	1989 £m	1988 £m
	Surplus on disposal of related company	**20.2**	–
	Deferred taxation thereon	**(10.4)**	–
		9.8	–
	Write down of assets and provision for closure of businesses	**(19.2)**	(2.5)
	Taxation thereon including current taxation of £1.0m (1988 – £Nil)	**6.4**	(0.4)
		(12.8)	(2.9)
		(3.0)	(2.9)

9 Profit for the financial year

In accordance with the exemption permitted by Section 228(7) of the Companies Act 1985, the parent company has not presented its own profit and loss account. The profit for the year dealt with in the accounts of the parent company is £53.5m (1988 – £36.7m).

10	Dividends	1989 £m	1988 £m
	Ordinary interim of 1.735p paid 15 December 1989 (1988 – 1.55p)	**17.1**	15.0
	Proposed ordinary final of 2.515p payable 5 July 1990 (1988 – 2.25p)	**24.9**	22.2
		42.0	37.2

Preference dividends amounting to £10,000 were paid in both 1989 and 1988.

11 Earnings per ordinary share

The calculation of earnings per ordinary share is based on earnings, after deducting preference dividends but before extraordinary items, of £99.6m (1988 – £88.0m) and on 986m ordinary shares being the weighted average number of shares in issue during the year (1988 – 968m).

The calculation of fully diluted earnings per share is based on 1,148m ordinary shares (1988 – 1,064m) and adjusted earnings of £109.3m (1988 – £93.0m).

12 Fixed assets – tangible assets

Group	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant and vehicles £m	Fixtures & fittings £m	In course of construction £m	Total £m
Cost or valuation						
At 1 January 1989	62.0	7.9	164.8	26.2	16.5	277.4
Exchange adjustment	5.0	0.8	8.0	1.7	1.3	16.8
Arising on acquisition	0.3	0.3	1.8	0.6	0.1	3.1
Additions	6.6	0.3	18.8	4.5	27.4	57.6
Disposals of subsidiaries	–	(0.3)	(2.0)	(0.1)	–	(2.4)
Disposals	(0.2)	(0.1)	(7.2)	(0.8)	–	(8.3)
Transfers	9.5	(5.8)	10.6	3.4	(17.7)	–
At 30 December 1989	**83.2**	**3.1**	**194.8**	**35.5**	**27.6**	**344.2**
Depreciation						
At 1 January 1989	4.7	0.9	74.5	13.2	–	93.3
Exchange adjustment	0.5	0.1	3.3	0.8	–	4.7
Arising on acquisition	–	–	0.1	–	–	0.1
Charge for the year	1.4	0.2	17.1	4.2	–	22.9
Disposals of subsidiaries	–	–	(0.8)	(0.1)	–	(0.9)
Disposals	–	(0.1)	(2.8)	(0.5)	–	(3.4)
Transfers	0.2	(0.2)	(0.1)	0.1	–	–
At 30 December 1989	**6.8**	**0.9**	**91.3**	**17.7**	**–**	**116.7**
Net book amount						
At 30 December 1989	**76.4**	**2.2**	**103.5**	**17.8**	**27.6**	**227.5**
At 1 January 1989	57.3	7.0	90.3	13.0	16.5	184.1
Analysis of cost or valuation						
At cost	74.8	3.0	194.6	35.5	27.6	335.5
At valuation:						
1972	5.7	–	–	–	–	5.7
1973	0.2	0.1	–	–	–	0.3
1975	2.1	–	0.2	–	–	2.3
1977	0.4	–	–	–	–	0.4
	83.2	**3.1**	**194.8**	**35.5**	**27.6**	**344.2**

Included above are leases with less than 50 years to run with a cost or valuation amounting to £2.3m (1988 – £7.2m).
The original cost of tangible fixed assets amounts to £335.5m (1988 – £273.2m). Accumulated depreciation thereon is £116.3m (1988 – £93.0m).
Included in the amounts above are assets held under finance leases and hire purchase contracts with a net book amount of £6.1m (1988 – £5.5m).
Included above are tangible fixed assets of the parent company with a cost or valuation of £2.8m (1988 – £2.7m). Accumulated depreciation thereon is £0.6m (1988 – £0.5m) leaving the net book amount of £2.2m (1988 – £2.2m).

13	**Fixed assets – investments**	**Related companies**	**Other investments**	**Total**
	Group	**£m**	**£m**	**£m**
	At 1 January 1989	23.4	7.2	30.6
	Exchange adjustment	0.1	0.4	0.5
	Additions	9.4	—	9.4
	Disposals	(20.8)	—	(20.8)
	Transfers	3.8	(3.8)	—
	Goodwill on acquisitions written off	(10.3)	—	(10.3)
	Retained profit for the year	1.1	—	1.1
	At 30 December 1989	**6.7**	**3.8**	**10.5**

Other investments comprise unlisted £nil (1988 – £0.3m) and listed on an overseas stock exchange £3.8m (1988 – £6.9m) with a total market value of £4.4m (1988 – £7.0m).

Principal subsidiaries are listed on page 23 and principal related companies on page 24.

Parent company	**Subsidiary companies £m**
At 1 January 1989	129.3
Additions	3.0
Disposals	(0.2)
At 30 December 1989	**132.1**

14	**Stocks**	**1989 £m**	1988 £m
	Raw materials and consumables	**57.6**	44.9
	Work-in-progress	**27.2**	22.2
	Finished goods and goods for resale	**104.6**	80.8
		189.4	147.9

There is no material difference between the historical cost and the current replacement cost of stocks.

15 Debtors

	Parent 1989 £m	Parent 1988 £m	Group 1989 £m	Group 1988 £m
Amounts falling due within one year				
Trade debtors	–	–	145.7	126.5
Amounts owed by group companies	414.7	273.1	–	–
Amounts owed by related companies	–	0.3	2.1	2.4
Other debtors	3.6	2.9	20.4	15.6
Prepayments and accrued income	0.1	0.8	17.0	12.1
	418.4	277.1	185.2	156.6
Amounts falling due after more than one year				
Trade and other debtors	–	–	5.8	5.1
Advance corporation tax	7.4	0.1	5.6	–
	425.8	277.2	196.6	161.7

16 Current asset investments

	Parent 1989 £m	Parent 1988 £m	Group 1989 £m	Group 1988 £m
Government securities and equivalent	–	15.0	31.4	40.7
Unlisted	–	–	46.5	–
	–	15.0	77.9	40.7
Market value	–	15.0	77.9	40.7

Of the above, £5.9m (1988 – £26.5m) were listed on the International Stock Exchange in London.

17 Loans

	Parent 1989 £m	Parent 1988 £m	Group 1989 £m	Group 1988 £m
Net borrowings				
Gross borrowings				
Due within one year	93.2	81.6	225.4	138.2
Due after more than one year	113.6	116.0	151.4	149.6
	206.8	197.6	376.8	287.8
Cash at bank and in hand	(25.4)	(16.6)	(140.3)	(141.2)
Current asset investments (note 16)	–	(15.0)	(77.9)	(40.7)
	181.4	166.0	158.6	105.9
Secured borrowings				
Secured on cash deposits and current asset investments	–	–	26.5	23.6
Secured on fixed and current assets	–	–	4.8	2.4
	–	–	31.3	26.0
Unsecured borrowings	206.8	197.6	345.5	261.8
	206.8	197.6	376.8	287.8

Cash and current asset investments of £49.8m (1988 – £44.1m) are pledged as security for the £26.5m (1988 – £23.6m).

17 Loans continued

	Parent 1989 £m	Parent 1988 £m	Group 1989 £m	Group 1988 £m
Gross borrowings				
Bank loans and overdrafts	**93.2**	81.6	**231.1**	143.7
Other loans:				
Wholly repayable within five years				
8⅞% Loan Stock 1991	**19.8**	19.8	**19.8**	19.8
Industrial Revenue Bonds	–	–	**0.3**	0.4
Other	–	–	**0.5**	0.6
	19.8	19.8	**20.6**	20.8
Wholly repayable after five years				
4% £ Convertible Bonds 2002	**90.0**	90.0	**90.0**	90.0
5½% $ Convertible Bonds 2000	**3.8**	6.2	**3.8**	6.2
Industrial Revenue Bonds	–	–	**3.4**	3.1
Other	–	–	**1.1**	–
	93.8	96.2	**98.3**	99.3
Repayable by instalments wholly or partly after five years				
14% $ Promissory Note 1991/96	–	–	**26.5**	23.6
Industrial Revenue Bonds	–	–	**0.3**	0.3
Other	–	–	–	0.1
	–	–	**26.8**	24.0
Gross borrowings	**206.8**	197.6	**376.8**	287.8

The bank loans above bear interest rates ranging from 6.45% to 16.5%.
The Industrial Revenue Bonds bear interest rates ranging from 5.25% to 12% and are repayable between 1990 and 2013.
The 5½% $ Convertible Bonds are convertible into ordinary shares at 109 pence per share at a fixed exchange rate of $1.4202 to £1. If not converted, the bonds are repayable in the year 2000 at the latest.
The 4% £ Convertible Bonds are convertible into ordinary shares at 177.5 pence per share. If not converted the bonds are repayable in the year 2002 at the latest. The Bondholders have the option to require redemption of the bonds on 7 May 1993 at a premium of 33½%. No provision has been made for the additional cost, if any, payable if the bonds are redeemed at the Bondholder's option in 1993.
The market prices of the ordinary shares when the terms of the 5½% $ Convertible Bonds and the 4% £ Convertible Bonds were set were 102.5p and 158.5p respectively.

Gross borrowings are repayable in accordance with the following schedule:	Parent 1989 £m	Parent 1988 £m	Group 1989 £m	Group 1988 £m
Within one year:				
bank loans and overdrafts	**93.2**	81.6	**225.4**	137.9
other loans	–	–	–	0.3
Total within one year	**93.2**	81.6	**225.4**	138.2
After one year: bank loans and overdrafts:				
after one and within two years	–	–	**1.7**	3.1
after two and within five years	–	–	**3.7**	2.2
after five years	–	–	**0.3**	0.5
	–	–	**5.7**	5.8
Other loans after one and within two years	**19.8**	–	**25.7**	0.3
after two and within five years	–	19.8	**16.3**	34.6
after five years	**93.8**	96.2	**103.7**	108.9
	113.6	116.0	**145.7**	143.8
Total after one year	**113.6**	116.0	**151.4**	149.6
Gross borrowings	**206.8**	197.6	**376.8**	287.8