Avon Rubber Company Limited

Report and Accounts 1975

The year in brief

	1975	1974
Turnover	£71,920,059	£64,152,036
(Loss) profit before taxation	£(502,850)	£1,942,561
(Loss) profit after taxation	£(358,773)	£923,861
Ordinary dividend	1·00%	8·56%
Dividend cover	Nil	1·60 times
(Loss) profit carried forward	£(763,083)	£213,386
(Loss) profit per share†	(6·1)p	13·67p

†The calculation of loss per share is based on a loss of £403,889 (1974 *profit* £907,058) and 6,637,500 ordinary shares in issue throughout the two years ended 27th September 1975.

Notice of meeting

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire, on Monday, 26th January 1976 at 12 noon for the following purposes:

1 To receive and consider the report of the directors and statement of accounts at 27th September 1975. (Resolution No. 1)

2 To declare a dividend on the ordinary shares. (Resolution No. 2)

3 To elect directors.
Mr. R. S. Deacon retires by rotation but, being eligible, offers himself for re-election. (Resolution No. 3)
Mr. J. R. Bradbeer was elected to the board in January 1975.
Mr. D. L. Gibson was elected to the board in November 1975.
Their appointments are now submitted for confirmation. (Resolutions No. 4 and No. 5)

4 To transact any other routine business.

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not also be a member of the company.

Only holders of ordinary shares are entitled to attend and vote at the meeting. A form of proxy is enclosed to enable ordinary shareholders to vote for or against the resolutions.

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

There are no directors' service contracts which are required to be available for inspection.

By order of the board
J. R. Bradbeer Secretary

Melksham, Wiltshire
31st December 1975

Directors and officers

Directors

Chairman	H. C. I. Rogers
	J. R. Bradbeer
	Sir Derrick Carter
	R. S. Deacon
	Lord Farnham
Managing	P. M. Fisher
	D. L. Gibson
	A. N. Irens CBE
	A. K. Mitchard
Company secretary	J. R. Bradbeer FCA
Registered office	Melksham, Wiltshire
Auditors	Deloitte & Co Chartered Accountants
Principal bankers	Midland Bank Ltd Brown, Shipley & Co Ltd
Solicitors	Linklaters & Paines
Registrar and transfer office	Melksham, Wiltshire

Chairman's statement

The loss for the year of £502,850 after taking into account the appropriate share of the profits of associated companies of £474,100, compares with profit before tax last year of £1,942,561. A number of factors, the majority of which are non-recurring, contributed to this loss. These non-recurring items amount to approximately £1 million, of which £636,116 are dealt with in the accounts as extraordinary items. Redundancy costs amounting to £700,000 were incurred during the year primarily as a consequence of the substantial decline in output for the motor industry on which we are heavily dependent.

A dividend of 1 per cent on the £1 ordinary shares is proposed by the directors as evidence of their belief that the company will return to profitability in the coming year.

The effects of destocking by our customers and subsequent lower levels of demand affected nearly all our factories, and caused short time working at uneconomic operating levels. The closure of our Birmingham rubber factory which I reported last year, and the termination of some other unprofitable business, had the unfortunate but inevitable effect of reducing the number of employees in the group.

Most of these factors were referred to in the interim statement and I am pleased to be able to say that the trading performance during the second half of the year has shown that the actions taken to stem the losses have been successful.

Whilst the group is still dependent on the level of trade within the UK, where the current low demand seems likely to persist for some time to come, the efforts being made to expand our exports, which for the year amounted to 18 per cent of group turnover, are now showing increasingly beneficial results.

Capital projects During the year substantial reductions have been made in capital expenditure, necessitated by the inadequate financial performance of the group and because of the under-utilisation of existing production equipment. Work has progressed on the new factory at Redditch for our medicals company and it will be ready for production in March 1976. The new buildings within the Melksham factory complex for the industrial polymers and tyre companies are now operational. The addition of this new factory space completes the building programme on which we embarked three years ago, and we see no necessity for additional buildings in the next few years.

Capital expenditure in the year 1975/76 will be restricted to approximately £2 million, a figure only slightly in excess of the annual rate of depreciation, and this sum has been allocated to the completion of the Redditch factory and improvements to existing facilities.

Working capital A medium term loan of £3·5 million, repayable over seven years, secured on the assets of the major companies in the group, has been negotiated with Midland Bank Limited. As a result of strict cash control, these additional funds remained largely intact at the year end. Despite the effects of inflation, external cash needs of the group are not likely to increase in 1976.

Avon Tyres Limited In the past year we have had to contend with a worldwide surplus of tyre manufacturing capacity, which has intensified competitive trading conditions. It was therefore necessary to modify our rationalisation plans to take advantage of available business. In view of the effects of inflation, the need to conserve working capital and as a reaction to the substantial reduction in United Kingdom vehicle output and general reduction in stocks by tyre distributors, short time working was introduced in the early months of 1975. By mid-year sales had improved to an extent where it was possible to return to five-day working in the factory.

The association with Motorway, the group's tyre distribution company, has been strengthened to achieve higher sales of our tyres, and export efforts have resulted in increased business, particularly in Europe and North America.

Despite intense competition, our European marketing subsidiaries continued to provide valuable outlets for our products and, with the exception of the Norwegian company, traded profitably. The decision to close the Norwegian subsidiary has been implemented and the costs incurred have been included in the accounts for the year.

A major achievement has been the signing of a four-year contract with Trelleborgs Gummifabriks, the leading Swedish tyre and rubber products company, for the manufacture of car radial tyres bearing the Trelleborg trade name, for sale primarily in Scandinavia, Holland and Switzerland. This contract will greatly improve factory loading and will contribute to the continuity and level of employment in the Melksham factory.

In the spring we introduced a range of high performance motorcycle tyres designed for fitment to high powered machines. This range which we have named—the 'Avon Roadrunner'—has achieved instantaneous success in the home and export markets and has already proved itself in competitive events especially in Australia and America.

Avon Rubber Company (Kenya) Limited Despite the present rate of inflation, our business in Kenya had a most successful year. Whilst the exchange differences had a favourable effect on profitability, the main reasons for the improvement were the high level of sales and greater factory efficiency, particularly in tyre retreading operations.

Prospects for 1975/76 are somewhat uncertain in view of the devaluation of the Kenyan currency and its effect on imported material costs, and the possibility of new trading regulations.

Motorway Tyres and Accessories Limited Profits were slightly lower than last year as a result of the highly competitive market conditions and the reduction of total tyre sales in the United Kingdom. Despite this, our sales both in units and sterling terms, with the exception of truck tyres, showed an increase, thanks to the enthusiasm of our employees. Turnover at £19 million was a record.

A complete tyre and battery service is now available to all vehicle operators through more than 180 depots in the United Kingdom and Eire. An exhaust fitting service is also being offered at an increasing number of depots.

Avon Processed Polymers Limited This company, newly formed this year, fulfils three functions. Firstly, it acts as the central purchasing agency for the majority of raw materials used by other members of the group. Secondly, it converts these materials into mixed rubber compounds and coated fabrics for manufacture into finished products by other group companies. Thirdly, it seeks external customers, in particular for coated fabric business for which it has a high level of expertise.

Avon Rubber Company (Bridgend) Limited In the first half-year we experienced a continuation of the heavy losses incurred in 1973/74. These arose mainly as a result of the transfer, installation and start up costs of processes moved to Bridgend from other group factories. In addition demand for remoulded car tyres was below that required for economic production.

I am pleased to be able to say that the second-half showed a marked improvement in operating efficiency. New product ranges have been introduced in the engineering section of the business, with efficient flow line manufacturing techniques. At the same time unprofitable products have been discontinued.

In July we ceased to manufacture crossply car remoulds and all costs have been dealt with in the accounts. I anticipate that the improving trend will be continued.

Avon Industrial Polymers Limited This company manufactures a wide range of extruded, moulded and fabricated rubber components including the items listed on page 17. About two-thirds of its turnover is devoted to non-automotive products. In spite of this diversity, cut backs in orders largely due to customers' de-stocking were severe in the second quarter of last year, and only in the last month or two has there been a significant recovery. In consequence we were forced to introduce a costly redundancy programme.

The decision to close the Birmingham factory, which I announced last year, was implemented and the cost is reflected in the accounts as an extraordinary item.

During the latter part of the year order levels improved, other than for components for the motor and domestic equipment industries. The transfer of the more profitable products from the Birmingham factory to the factories at Melksham and Bradford on Avon has also contributed to the turnround in performance.

The management of the company has been re-organised and with the benefit of large export orders which have been obtained during the past few months, I have confidence that it will make a substantial contribution to group profits in the coming year.

The rate of increase in labour costs in Belgium has resulted in the production of hoses in our factory at Tessenderlo becoming non-competitive. All production will cease by the end of December 1975 and that work which can be produced profitably will be transferred to our factory at Bradford on Avon, which will have the effect of filling available manufacturing capacity.

Avon Medicals Limited The main reason for lower profits this year was the substantial reduction in call-off from the Department of Health and Social Security.

The new factory in Oregon, USA for Dravon Medical Inc., in which Avon Medicals has a 60 per cent share was completed in May and both production and sales are closely in line with forecast. It is anticipated that this subsidiary will trade profitably during the 1975/76 year.

The new factory at Redditch, which is scheduled for completion by March 1976, is the first to be built to the latest standards agreed between the Department of Health and the trade association representing the manufacturers of sterile disposable medical products.

To offset the decline in demand from the home market, additional efforts have been directed both to developing new products and increasing sales in overseas markets. During the year the value of export sales rose from £567,000 (30 per cent) to £905,000 (40 per cent).

Avon Inflatables Limited Turnover and profits showed major improvements, whilst exports, primarily to the USA, accounted for 53 per cent of all sales.

The efforts of the international network of agents which we have built up over past years, the reputation for the quality and performance of our craft and our presence at numerous overseas marine exhibitions are the main reasons for the improved export sales performance.

The increase in the rate of value added tax, together with higher wages and material costs, have caused substantial increases in selling prices which restricted sales in the home market. The higher rate of inflation in the United Kingdom compared with that in many of the countries to which we sell will undoubtedly make more difficult the task of maintaining the same rate of improvement in sales and profit.

A highlight of the year in which the quality and construction of Avon inflatables were tested to the full was the successful part they played in the Zaire River expedition.

Avon Safety Wheel Limited Despite the enthusiastic reception of the Avon Safety Wheel concept, our alloy wheels have not sold well to the general public, due to the adverse economic situation, although we have made some progress in sales to large fleet operators. It has, therefore, been decided to withdraw from direct involvement in the manufacture and marketing of alloy wheels. However, through the GKN licencing agreement, alloy wheels, incorporating the Avon safety feature, will continue to be available to customers in the United Kingdom.

Negotiations are at an advanced stage for the granting of a licence to the major Japanese wheel manufacturer by which the Avon safety feature will be incorporated in mass produced steel wheels. As a result of this arrangement, it is confidently expected that such wheels will be fitted to a wide range of Japanese cars with royalty benefits to Avon.

Anglo-Plast AS, Denmark The reduction in demand from Scandinavian and German manufacturers of refrigerator and freezer cabinets caused extended short-time working and losses. However, orders improved towards the end of the year and the management has developed plans which should restore the company to profits during the new financial year.

Avon Lippiatt Hobbs Limited This associated company achieved further substantial growth of turnover and profits, primarily from its expertise in sealing and preventing leakages in gas pipes.

The importance of conserving energy is now an international priority and the company is well placed to benefit from overseas licencing arrangements.

Directors We were pleased to elect Mr. J. R. Bradbeer to the board at our meeting in January 1975 and Mr. D. L. Gibson at our meeting in November 1975. You will see from the notice of the meeting to be held next January that their appointments are now submitted for confirmation.

Mr. Bradbeer, a Chartered Accountant, has been employed by the group for nearly 20 years, and was appointed secretary to the company in 1973.

Mr. Gibson, the Managing Director of Motorway Tyres and Accessories Limited, our tyre distribution company, joined Avon in 1950. Prior to becoming Managing Director of Motorway in 1970 he was Home Sales Manager for Avon Tyres. He is currently the President of the National Tyre Distributors Association.

Towards the end of the year, as reported in the press, both Mr. Swanborough and Mr. Horton tendered their resignations. Mr. Swanborough's family has had a very long connection with the company, and I would like to place on record the regret of the board that this period of service has now ended.

Thanks to Employees The problems of high inflation and the deep recession in many of the industries we serve, leading to substantial redundancies throughout the group, made the year a difficult one for all our employees. Their willingness to face up to the many problems and their assistance in finding solutions to them, are greatly appreciated by the board.

I would like to pay special tribute to our employees in Northern Ireland who, despite the grave situation facing them, managed to achieve such high sales and profit.

The Future The new financial year has started well but the uncertainties within the economy of the United Kingdom and in particular the continuing recession in the automotive industry, necessitate some caution in attempting to forecast the year's results.

However, it would appear that our major customers have largely completed their destocking programmes, giving rise to an improvement in current order levels and we have recently obtained further substantial export contracts for group products. The increased inflow of orders, together with the measures that have already been taken to eliminate losses and the ongoing efforts to improve efficiency, give me confidence that the return to profitability will be maintained.

H. C. I. Rogers

Director

Secretary

The directors submit the eighty fifth annual report and audited accounts of the company for the year ended 27th September 1975.

1 Activities The principal activities of the group are the manufacture and distribution of tyres and industrial rubber and plastic products. Main products of the group are listed on page 17.

2 (Loss) Profit and appropriations The net loss for the year after taxation, minority interests and extraordinary items amounted to £673,273 (1974 £802,556 profit). Dividends paid and proposed amount to £89,810 (1974 £589,170). Full details are set out in the profit and loss account on page 8.

3 Group turnover and (loss) profit by division

(a) Turnover	1975 £	%	1974 £	%
Tyres	20,584,141	29	18,890,736	29
Motorway	19,104,111	26	16,171,315	25
Safety Wheel	97,083	—	8,996	—
Bridgend	6,231,636	9	5,932,887	9
Technical Services	28,190	—	10,468	—
Processed Polymers	142,191	—	17,149	—
Industrial Polymers	12,593,003	18	12,363,127	19
Medicals	1,692,628	2	1,528,549	3
Inflatables	2,361,966	3	1,889,608	3
Overseas	9,085,110	13	7,339,121	12
	£71,920,059	100	£64,152,036	100

(b) (Loss) Profit	1975 £	%	1974 £	%
Tyres	(470,545)	(94)	750,703	39
Motorway	399,841	80	534,706	28
Safety Wheel	(421,414)	(84)	(196,421)	(10)
Bridgend	(206,086)	(41)	(263,944)	(14)
Technical Services	(81,556)	(16)	(16,388)	[illegible]
Processed Polymers	(109,160)	(22)	(120,833)	
Industrial Polymers	(352,142)	(70)	738,843	38
Medicals	66,140	13	242,010	12
Inflatables	146,438	28	78,103	4
Overseas	57,185	12	135,127	7
Investment income	38,789	8	3,152	–
Associated companies	434,311	86	57,765	3
	£(502,850)	(100)	£1,942,561	100

4 Direct exports from UK

	1975 £	%	1974 £	%
EEC	4,119,348	32	3,542,985	32
Other European countries	3,655,747	29	3,389,370	31
East Africa	1,537,738	12	1,032,230	10
North America	2,023,650	16	1,346,671	12
Other countries	1,349,686	11	1,649,638	15
UK exports 18% (1974 17%) of group turnover	£12,686,169	100	£10,960,894	100

5 Turnover and (loss) profit of non-UK subsidiaries

Turnover	1975 £	1974 £
EEC	2,828,063	1,969,013
Other European countries	3,981,849	4,070,458
East Africa	1,405,960	918,346
Australia	432,948	319,634
North America	436,290	61,670
	£9,085,110	£7,339,121

Contribution to group (loss) profit	1975 £	1974 £	1975 %	1974 %
EEC	(271,154)	(114,631)	(54)	(6)
Other European countries	95,816	119,974	19	6
East Africa	283,974	106,823	57	6
Australia	15,494	33,314	3	2
North America	(66,945)	(10,353)	(13)	(1)
	£57,185	£135,127	12	7

6 Associated companies

	Avon Creators Limited	Société Française des Caoutchoucs Spencer Moulton	RFD Group Limited	Avon Lippiatt Hobbs Limited
Share and loan capital of associate	10,000 'A' ordinary, 10,000 'B' ordinary shares of £1 each fully paid	22,000 shares of 50 francs each	13,630,720 ordinary shares of 10p each fully paid. 100,000 cumulative preference shares of £1 each fully paid	50,000 ordinary shares of £1 each fully paid 50,000 ordinary non-voting 'A' shares of £1 each, fully paid
Percentage of shares held by the group	'A' ordinary nil 'B' ordinary 100%	50%	Ordinary 22% Preference nil	Ordinary 33% 'A' ordinary 33%

7 Political and charitable contributions No political contributions were made during the year. Contributions for charitable purposes amounted to £5,848 (1974 £7,894).

8 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.

Interests of directors, their families and trusts in shares of the company were:

	At the beginning of the year or when first appointed a director		At the end of the year	
	beneficial interest		beneficial interest	
	ord.	pref.	ord.	pref.
H. C. I. Rogers	2,475	—	2,475	—
J. F. Swanborough	2,978	75	2,978	75
Sir Derrick Carter	750	—	750	—
R. S. Deacon	1,500	—	1,500	—
Lord Farnham	1,125	—	1,125	—
M. Fisher	2,625	500	5,625	500
A. N. Irens	500	—	1,500	—
A. K. Mitchard	500	—	500	—
J. R. Bradbeer	815	—	815	—

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

No movements occurred in directors' shareholdings between the end of the financial year and 31st December 1975.

The directors were not aware of any individual shareholdings in the company at 8th December 1975 amounting to as much as 10 per cent of the share capital.

Mr. J. F. Swanborough resigned from the board on 30th September 1975.

Mr. B. T. P. Horton resigned from the board on 15th August 1975.

Mr. R. S. Deacon retires in rotation as a director but, being eligible, offers himself for re-election.

Mr. J. R. Bradbeer was elected to the board in January 1975 and his appointment is now submitted for confirmation.

Mr. D. L. Gibson was elected to the board in November 1975 and his appointment is now submitted for confirmation.

9 Employees The average number of employees of the group (excluding overseas) during the year was 7,081 (1974 7,838) and their aggregate remuneration amounted to £18,062,572 (1974 £15,723,059).

10 Land and buildings The directors are of the opinion that the land and buildings in the group have a market value in excess of their book value but that since the land and buildings are wholly necessary for the purposes of the group's activities, the expense of valuation would not be justified.

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

12 Auditors Messrs. Deloitte & Co., have expressed their willingness to continue in office.

By order of the board
J. R. Bradbeer Secretary

Melksham, Wiltshire
31st December 1975

Avon Rubber Company Limited
Consolidated profit and loss account for the year ended 27th September 1975

		1975 £		1974 £
Group Turnover [Note 1]		£71,920,059		£64,152,036
(Loss) profit on trading [Note 2]		(976,950)		1,881,644
Income from unquoted investment		—		3,152
Share of profits of associated companies [Note 3]		474,100		57,7[illegible]
Group (loss) profit for the year before taxation		(502,850)		1,942,561
Taxation [Note 4]		144,077		1,018,700
Group (loss) profit for the year after taxation		(358,773)		923,861
Minority interests		21,681		4,197
(Loss) profit for the year		(380,454)		928,058
Extraordinary items [Note 5]		292,819		125,502
		(673,273)		802,556
Dividends [Note 6]		89,810		589,170
(Loss) profit carried forward				
Parent company	246,026		290,106	
Subsidiary companies	(1,126,999)		(102,149)	
Associated companies	117,890		25,429	
		£(763,083)		£213,386

1 Group turnover represents invoiced sales, less returns, by group companies to outside customers.

2 Loss on trading is stated after charging the following items:

	1975 £	1974 £
Audit fees and expenses	67,279	61,285
Depreciation	1,843,037	1,681,235
Hire of plant and machinery	831,484	722,854
Interest:		
Bank interest	1,083,280	777,704
Interest on short term loans	319,024	208,617
Interest on long term loans	229,969	203,007
	£4,374,073	£3,654,702

3 Associated companies

		1975 £	1974 £
Group share of profits and losses		474,100	57,765
Less taxation	218,297		
extraordinary losses	98,124	316,421	29,855
		157,679	27,910
Less received in dividend		39,789	2,481
Retained by associated companies		£117,890	£25,429

a Basis of Consolidation

RFD Group Limited
Audited accounts for the year to 31st March 1975

Avon Lippiatt Hobbs Limited
Audited accounts for the year to 28th February 1975
Unaudited accounts for the half year to 31st August 1975

Other companies
Audited accounts to 27th September 1975

b RFD Group Limited

The profit of the associated company, RFD Group Limited, which is taken into account in the loss for the year, represents the proportion, attributable to Avon's shareholding, of the profit of that associated company based on its audited accounts for the year ended 31st March 1975. The Report of the Auditors of RFD Group Limited on those accounts states that, because of certain reservations concerning the stocks and work-in-progress at 31st March 1974 expressed by the former auditors, they are unable to express an opinion on the profit for the year ended on that date as regards its allocation to the financial years prior to 31st March 1974 and to the year ended 31st March 1975.

For the year ended 28th September 1974 no account was taken of the attributable proportion of the results of RFD Group Limited, as the joint report dated 22nd July 1974 of Messrs. Peat, Marwick, Mitchell & Co. and Andw. W. Barr & Co. on the accounts of RFD-GQ Limited, for the year ended 31st March 1974, stated that no reliable figures could be produced for RFD-GQ Limited for the six months to 30th September 1973. Accounts for the year to 31st March 1974 contained estimates of amounts thought to relate to prior periods. Accordingly the Avon Directors considered that to consolidate such accounts of RFD Group Limited would be misleading to shareholders.

4 Taxation

a The credit for taxation arising from the loss for the year is made up as follows:

	1975 £	1974 £
United Kingdom corporation tax	(32,124)	(110,890)
Overseas taxes	221,817	101,873
Deferred taxation	(512,950)	1,013,000
Associated companies	218,297	29,855
	(104,960)	1,033,838
Adjustments in respect of previous years	(39,117)	16,138
Taxation (credit) charge	£(144,077)	£1,017,700

b Corporation tax recoverable arises from first year allowances being set against tax paid in a previous year.

c Accumulated profits retained by overseas subsidiary companies, amounting to £688,301, would be subject to additional taxation of approximately £287,000 if distributed to their parent companies in the United Kingdom.

5 Extraordinary items

	1975 £
Costs arising on cessation of cross ply remould production	30,200
Closure of Birmingham factory and transfer of production to other group factories	305,264
Closure of Norwegian distribution company	186,013
Provision for costs of closure of Belgian factory	134,639
	656,116
Less appropriate taxation	212,750
	443,366
Share of RFD Group Limited extraordinary items	98,124
	541,490
Increase in market value of shares held in RFD Group Limited	248,671
	£292,819

6 Dividends

	1975 £	1974 £
Paid:		
4·9% cumulative preference shares	23,435	21,000
Ordinary shares Nil interim (1974 2·81%)	—	186,514
Proposed:		
Ordinary shares 1% final (1974 5·75%)	66,375	381,656
	£89,810	£589,170

Avon Rubber Company Limited
Consolidated balance sheet as at 27th September 1975

Certified true copy

Director

Secretary

	1975 £	1974 £
Issued share capital [Note 7]	7,137,500	7,137,500
Reserves [Note 8]	6,216,519	6,933,599
	13,354,019	14,071,0[illegible]
Deferred taxation	2,363,389	2,761,507
Minority shareholders' interests	260,611	141,538
	15,978,019	16,974,144
Debenture stocks [Note 9]	3,163,380	3,210,380
Current liabilities and provisions [Note 10]	25,809,290	23,463,340
	£44,950,689	£43,647,864
Fixed assets [Note 11]	16,835,837	14,661,540
Goodwill	303,084	303,084
Investments [Note 13]	1,030,742	661,933
Current assets [Note 14]	26,781,026	28,021,307
	£44,950,689	£43,647,864

H. C. I. Rogers

P. M. Fisher

Avon Rubber Company Limited

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Director

Secretary

Balance sheet
as at 27th September 1975

	1975 £	1974 £
Issued share capital [Note 7]	7,137,500	7,137,500
Reserves [Note 8]	5,158,995	5,268,665
	12,296,495	12,406,165
Deferred taxation	—	2,039,307
	12,296,495	14,445,472
Debenture stocks [Note 9]	3,163,380	3,210,380
Current liabilities and provisions [Note 10]	7,489,897	13,305,719
	£22,949,772	£30,961,571
Fixed assets [Note 12]	3,247,159	9,820,675
Investments [Note 13]	739,714	529,607
Subsidiary companies [Note 15]	17,837,281	5,740,007
Current assets [Note 14]	1,125,618	14,871,282
	£22,949,772	£30,961,571

H. C. I. Rogers

P. M. Fisher

7 Share capital

	1975 £	1974 £
Authorised:		
7,500,000 ordinary shares of £1 each	7,500,000	7,500,000
500,000 4·9% cumulative preference shares of £1 each	500,000	500,000
	£8,000,000	£8,000,000

	1975 £	1974 £
Issued:		
6,637,500 ordinary shares of £1 each fully paid	6,637,500	6,637,500
500,000 4·9% cumulative preference shares of £1 each fully paid	500,000	500,000
	£7,137,500	£7,137,500

The rate of dividend on the £1 cumulative preference shares was increased from 4·2% to 4·9% on 21st October 1974.

8 Reserves

	Group £	Parent £
a Share premium	£2,241,024	£2,241,024
b Other reserves at 28th September 1974	4,692,575	3,027,641
Add		
Property revaluation	51,539	—
Regional development grants received	79,152	—
Profit and loss account	(763,083)	246,026
	4,060,183	3,273,667
Less		
Investment and regional development grants transferred to profit and loss	84,688	910
Investment grant reserve transferred to subsidiaries	—	354,786
	£3,975,495	£2,917,971
Total reserves at 27th September 1975	£6,216,519	£5,158,995

9 Debenture stocks (secured)

	1975 £	1974 £
6½% 1970/75	300,000	300,000
6½% 1977/80	600,000	600,000
6½% 1983/88	937,247	944,247
7½% 1985/90	1,326,133	1,366,133
	£3,163,380	£3,210,380

The rate of interest on all debenture stocks was increased by ½% on 21st October 1974.
The 1970/75 stock was repaid, with accrued interest, on 30th September 1975.

10 Current liabilities and provisions

	1975 Group £	Parent £
Bank loans and overdrafts (secured £4,287,620)	4,903,603	3,535,886
Acceptance credits (secured £2,000,000)	2,166,541	2,166,541
Other loans (note below)	4,715,709	—
Creditors and accruals	13,839,739	1,680,083
Taxation	117,323	41,012
Provision for dividend on ordinary shares	66,375	66,375
	£25,809,290	£7,469,897

	1974 Group £	Parent £
Bank loans and overdrafts (secured £2,007,491)	7,478,981	5,082,661
Acceptance credits (secured £1,000,000)	1,500,000	1,500,000
Other loans	1,056,151	—
Creditors and accruals	12,968,448	6,488,544
Taxation	78,104	(147,142)
Provision for dividend on ordinary shares	381,656	381,656
	£23,463,340	£13,305,71[illegible]

Other loans	1975 Group £	Parent £
a Secured bank loan at 3[illegible]% above base rate repayable in 10 equal instalments, the last payment in 1982	3,500,000	£3,500,000
b 7⅞% mortgage repayable in half yearly instalments last payment 1994	2,220	—
c 10½% loan repayable in half yearly instalments commencing 1977 last payment 1984	489,596	—
d 10% loan repayable 1980	34,865	—
e 10% loan repayable 1982	26,412	—
f Repayable within 5 years from 27th September 1975	662,616	—
	£4,715,709	£3,500,000

11 Fixed assets—group

	Freehold land and buildings £	Short leaseholds £	Long leaseholds £	Plant and machinery £	Total £
Cost and valuations at 28th September 1974	6,166,736	455,394	603,763	21,606,680	28,832,573
Additions at cost	834,226	121,868	531,485	2,390,864	3,878,443
Transfers	(39,155)	(85,550)	127,449	(2,744)	—
Valuation Kenya Property	—	—	4,761	—	4,761
Exchange differences	125,849	360	24,508	187,028	337,745
Disposals at cost	(15,982)	(2,484)	—	(851,708)	(870,174)
Cost and valuations at 27th September 1975	7,071,674	489,588	1,291,966	23,330,120	32,183,348
Depreciation at 28th September 1974	(1,014,917)	(149,213)	(21,558)	(12,995,345)	(14,161,033)
Depreciation for the year	(112,307)	(26,060)	(6,654)	(1,697,816)	(1,843,037)
Transfers	5,082	54,562	(59,457)	(187)	—
Valuation Kenya Property	—	—	70,790	—	70,790
Exchange differences	(3,611)	(185)	(11,382)	(98,798)	(113,976)
Depreciation on disposals	592	904	—	718,249	719,745
Net fixed assets at 27th September 1975	£5,946,513	£369,596	£1,263,505	£9,256,223	£16,835,837
Net fixed assets at 28th September 1974	£5,151,819	£306,181	£582,205	£8,611,335	£14,651,540
Fixed Assets comprise:					
Cost	6,675,199	481,588	1,135,292	23,330,120	31,622,199
Valuation 1962	343,975	8,000	—	—	351,975
Valuation 1965	52,500	—	—	—	52,500
Valuation 1975	—	—	156,674	—	156,674
	£7,071,674	£489,588	£1,291,966	£23,330,120	£32,183,348

1 Commitments for capital expenditure for which no provision has been made in the accounts are estimated at £738,000 (1974 £2,767,000) for the group including £76,000 (1974 £1,345,000) for the parent company.

2 Future capital expenditure authorised by the board at 27th September 1975 for which orders had not been placed at that date amounted to £526,000 (1974 £1,828,000) for the group including £5,000 (1974 £1,602,000) for the parent company.

12 Fixed assets—Avon Rubber Company Limited

	Freehold land and buildings	Short leaseholds £	Long leaseholds £	Plant and machinery £	Total £
Cost at 28th September 1974	4,022,076	38,796	289,948	16,774,616	21,125,436
Additions at cost	578,975	—	—	124,487	703,462
Inter company transfers	(1,322,644)	(38,796)	(289,948)	(15,001,629)	(16,653,017)
Exchange differences	2,016	—	—	4,980	6,996
Disposals at cost	(98)	—	—	(31,547)	(31,645)
Cost at 27th September 1975	3,280,325	—	—	1,870,907	5,151,232
Depreciation at 28th September 1974	(951,557)	(12,273)	(11,398)	(10,329,533)	(11,304,761)
Depreciation for the year	(63,245)	—	—	(122,034)	(185,279)
Depreciation on inter company transfers	247,498	12,273	11,398	9,297,327	9,568,496
Exchange differences	(340)	—	—	(2,438)	(2,778)
Depreciation on disposals	26	—	—	20,223	20,249
Net fixed assets at 27th September 1975	£2,512,707	—	—	£734,452	£3,247,159
Net fixed assets at 28th September 1974	£3,070,519	£26,523	£278,550	£6,445,083	£9,820,675

13 Investments

	1975 Group £	Parent £
Associated companies (including £32,740 of capitalised profits in an associated company) (quoted £603,500)	733,550	617,810
Unquoted	137,070	121,904
	870,620	739,714
Group share of undistributed profits in associated companies	160,122	—
	£1,030,742	£739,714
Directors' valuation:		
associated companies	894,000	677,000
unquoted investments	381,000	366,000
	£1,275,000	£1,043,000

Market value of the quoted investment is £603,500

	1974 Group £	Parent £
Associated companies (quoted £301,750)	454,184	407,409
Unquoted	132,776	122,198
	586,960	529,607
Group share of undistributed profits in associated companies	74,973	—
	£661,933	£529,607
Directors' valuation:		
associated companies	529,000	463,000
unquoted investments	377,000	367,000
	£906,000	£830,000

Market value of the quoted investment is £301,750

14 Current assets

	1975 Group £	Parent £
Stocks	14,101,802	669,828
Debtors and prepayments	12,168,334	388,295
Bank balances and cash	510,890	67,495
	£26,781,026	£1,125,618

	1974 Group £	Parent £
Stocks	14,783,773	8,356,559
Debtors and prepayments	12,954,067	6,498,383
Bank balances and cash	293,467	16,340
	£28,031,307	£14,871,282

15 Subsidiary companies

	1975 £	1974 £
Shares at cost, less amounts written off	1,226,711	1,424,420
Deduct amounts owing to subsidiary companies	3,569	1,347,149
	1,222,142	77,2[illegible]
Add amounts owing by subsidiary companies	16,615,139	6,662,736
	£17,837,281	£5,740,007

16 Contingent liabilities

	1975 Group £	Parent £
a Overdraft facilities of subsidiary and associated companies	140,000	1,472,833
b Bills under discount	285,807	69,174
c Uncalled capital in subsidiary companies	22,944	—
	£448,751	£1,542,007

	1974 Group £	Parent £
a Overdraft facilities of subsidiary and associated companies	175,000	1,433,827
b Bills under discount	448,967	1,223,666
c Uncalled capital in subsidiary companies	20,194	—
	£644,161	£2,657,493

17 Directors' emoluments

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

	1975 £	1974 £
For services as directors	3,750	3,750
Other emoluments	87,403	61,969
Compensation to former executive directors in respect of loss of office	55,557	12,822
Pensions in respect of former executive directors	3,884	4,705
	£150,594	£83,246
Remuneration of the chairman was	£5,451	£5,0[illegible]
Remuneration of the highest paid director was	£18,618	£16,905
Other directors' remuneration was		
Up to £2,500	3	3
£2,501 - £5,000	1	2
£5,001 - £7,500	—	—
£7,501 - £10,000	1	1
£10,001 - £12,500	1	2
£12,501 - £15,000	2	—

Accounting policies Year ended 27th September 1975

The bases set out below are those used in the group and parent company accounts in the year ended 27th September 1975.

Stocks
a Finished products: valued at the lower of manufacturing cost and net realisable value, after taking account of any slow moving or obsolete items. Distribution and administration expenses are not included in the valuation.
b Work in progress: valued at material cost plus an addition for direct labour and factory overheads.
c Raw materials: valued at purchase price but reduced to net replacement cost where lower.

Depreciation
a Freeholds: properties owned by the tyre distribution companies have not been depreciated. All other properties are depreciated on the straight line method at 2 per cent per annum.
b Leaseholds: leasehold properties are written off over the life of the lease, by equal annual instalments beginning in the year the project is completed.
c Plant and machinery: plant and machinery is depreciated on the straight line method, the rates varying according to the anticipated life of the equipment.

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

Taxation
a Taxation: The credit for taxation is based on trading results for the year after taking account of group relief. No provision is made for additional taxation which would be payable in the event of profits retained by overseas companies being distributed as dividends.
b Deferred taxation: The provision for deferred taxation is adjusted each year by a transfer to or from profit and loss account, so that the balance is maintained at a figure which represents corporation tax at the current rate on the timing differences between the treatment for accounting and for taxation purposes. Advance Corporation Tax recoverable is deducted from the deferred tax account.

Consolidation The consolidated accounts include the accounts of all subsidiary companies and the share of undistributed profits, less appropriate taxation, of associated companies.

Exchange Rates Accounts of overseas companies and branches are converted into sterling at the rates ruling on 27th September 1975. Realised exchange profits and losses are taken to profit and loss account.

Auditors' report

Certified true copy
Director
Secretary

To the members of Avon Rubber Company Limited

We have examined the Accounts set out on page 1, pages 8 to 15 and page 20. The loss takes into account £88,621, being the proportion of the profit after tax and £98,124 extraordinary items attributable to an associated company, as shown by that company's accounts, in respect of which, as indicated in note 3, the auditors have been unable to express an opinion.
With this reservation, based on our examination and on the reports of the auditors of certain subsidiary and associated companies not audited by us, the accounts give, so far as concerns members of Avon Rubber Company Limited, a true and fair view of the state of affairs at 27th September 1975 and of the loss and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

Deloitte & Co
Chartered Accountants

Bristol
31st December 1975

Avon Rubber Company Limited
Subsidiary and associated companies as at 27th September 1975

		Country of incorporation
Avon Tyres Limited		England
Avon Tyres (N.I.) Limited		Northern Ireland
Avon Tyres Ireland Limited		Eire
Avon Rubber A/S		Norway
Avon Tyres Overseas Limited		England
Avon Reifen (Deutschland) GmbH		West Germany
Avon Rubber Co AB		Sweden
City Dack Center AB		Sweden
Avon (Suisse) SA		Switzerland
City Pneu A.G.	60%	Switzerland
Walker Radial Pty Limited	51%	Australia
Avon Industrial Polymers Limited		England
Avon Industrial Polymers (Overseas) Limited		England
Avon Rubber SA		Belgium
Avon Illinois Inc		U.S.A.
Avon Ames Limited	51%	England
Avon Processed Polymers Limited		England
Avon Inflatables Limited		England
Avon Rubber Co (Bridgend) Limited		England
Avon Technical Services Limited		England
Avon Medicals Limited		England
Avon Medicals Overseas Limited		England
Avon Medicals GmbH		West Germany
Dravon Medicals Inc	60%	U.S.A.
Avon Safety Wheel Limited		England
Motorway Tyres and Accessories Limited		England
Motorway Tyres and Accessories (Scotland) Limited		Scotland
City Tyre Co Limited		England
Shaw Tyre & Battery Co Limited		Northern Ireland
Anglo Plast A/S	93%	Denmark
Avon Rubber Co (Kenya) Limited	68%	Kenya
Avon Rubber Co (Uganda) Limited		Uganda
Associated Companies		
Avon Lippiatt Hobbs Limited	33%	England
Avon Creators Limited	50%	England
Société Française des Caoutchoucs Spencer Moulton	50%	France
R.F.D. Group Limited	22%	England

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

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

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

Main products of Avon Group Companies

20

Avon Tyres Limited
Melksham, Wiltshire

Steel and textile radial and crossply tyres for cars, trucks, light commercial and agricultural vehicles, motor cycles and sidecars. Pneumatic and solid tyres for industrial vehicles.

Motorway Tyres and Accessories Limited
Reading, Berkshire

Over 180 depots throughout the United Kingdom and Eire selling tyres and batteries and offering wheel balancing and a specialised service for vehicles.

Avon Processed Polymers Limited
Melksham, Wiltshire

Coated fabrics and mixed rubber compounds.

Avon Rubber Company (Bridgend) Limited
Bridgend, South Wales

Axle and suspension systems for the agricultural industry. Processed materials for the remould industry, remould tyres and inner tubes for cars, trucks and agricultural vehicles. Recreational and sports surfaces.

Avon Industrial Polymers Limited
Melksham, Wiltshire

Reprographic rollers, golf grips, milking machine components, freight container seals, automotive window, door and boot seals, diving suits, hovercraft skirts and other flexible fabrications and track pads and wheels for military vehicles.

Avon Industrial Polymers Limited
Bradford on Avon, Wiltshire

Shaped hoses for the automotive industry and hoses for railway air brakes and domestic appliances. Aerosol gaskets, gas sealing materials and extruded sections for civil engineering applications. Windscreen wiper blades and a range of mouldings and bonded components for the automotive engineering and other industries.

Avon Medicals Limited
Stirchley and Redditch, Worcestershire

Sterile disposable products especially blood and solution administration sets. Haemodialysis lines, dialysers and fistula needles.

Avon Inflatables Limited
Dafen and Llanelli, South Wales

Inflatable dinghies, high performance inflatable Sportboats and the rigid hull Searider, river boats, liferafts, lifejackets and buoyancy aids, yachtsman's clothing and footwear.

Ten year record

	1975 £'000	1974 £'000	1973 £'000
Turnover	71,820	64,200	63,300
Group profit			
Balance on trading	3,397	5,536	5,393
Investment income	—	3	[illegible]
Share of profits of associated companies	474	58	59
	3,871	5,597	5,471
Depreciation and other charges	2,742	2,465	2,378
	1,129	3,132	3,093
Bank and loan interest	1,632	1,189	858
Profit before taxation	(503)	1,943	2,235
Taxation	(144)	1,019	996
Profit after taxation	(359)	924	1,239
Minority interests	21	(4)	13
	(380)	928	1,226
Extraordinary items	(293)	(125)	26
Profit attributable to Avon shareholders	(673)	803	1,252
Appropriations			
Avon Rubber Co Ltd			
Preference dividends	23	21	26
Ordinary dividends	67	568	567
Profits retained	(763)	214	659
	(673)	803	1,252
Capital employed			
Fixed assets, investments and goodwill	18,201	15,617	13,334
Working capital	11,436	14,603	12,[illegible]
Total capital employed	29,637	30,220	25,366
Financed by			
Ordinary share capital	6,637	6,637	6,637
Reserves attributable to Avon shareholders	6,143	6,934	7,546
Ordinary shareholders' capital employed	12,780	13,571	14,183
Preference share capital	500	500	500
Minority shareholders' interests	261	142	117
Deferred taxation	2,363	2,762	1,973
Loan capital	3,163	3,210	3,260
Bank overdrafts and other loans	10,570	10,035	5,333
Total capital employed	29,637	30,220	25,[illegible]
Rate earned (before tax and interest) on Capital employed	3·8%	10·4%	12·2%
Earnings per share	(6·1p)	13·7p	18·1p
Dividends per share	1·0p	8·6p	8·6p
Dividend cover	—	1·60	2·12

1972 £'000	1971 £'000	1970 £'000	1969 £'000	1968 £'000	1967 £'000	1966 £'000
46,637	46,427	42,957	36,544	34,994	27,561	26,823
4,800	5,022	3,863	2,606	3,476	2,481	2,402
10	18	34	76	88	49	70
37	—	—	—	—	—	—
4,847	5,040	3,897	2,682	3,564	2,530	2,472
2,183	2,099	1,892	1,767	1,533	1,308	837
2,664	2,941	2,005	915	2,031	1,222	1,635
652	633	620	466	348	337	326
2,012	2,308	1,385	449	1,683	885	1,309
557	840	553	116	500	232	298
1,455	1,468	832	333	1,183	653	[illegible]
8	8	8	6	9	6	[illegible]
1,447	1,460	824	327	1,174	647	[illegible]
—	—	—	—	—	—	[illegible]
1,447	1,460	824	327	1,174	[illegible]	[illegible]
30	30	30	30	30	30	[illegible]
774	774	642	354	677	566	[illegible]
643	656	152	(57)	467	51	[illegible]
1,447	1,[illegible]	824	327	1,174	647	998
12,084	11,733	11,373	11,840	10,746	9,189	8,907
12,552	12,165	10,911	10,924	7,792	6,373	5,908
24,636	23,898	22,284	22,764	18,538	15,562	14,815
6,637	4,425	4,425	4,425	4,425	3,540	3,540
6,800	9,147	8,628	8,625	8,666	6,016	5,580
13,437	13,572	13,053	13,050	13,091	9,556	9,120
500	500	500	500	500	500	500
78	74	63	59	78	71	66
1,005	769	508	413	413	300	300
3,305	3,354	3,420	3,466	3,466	3,497	3,500
6,311	5,629	4,740	5,276	990	1,638	1,329
24,636	23,898	22,284	22,764	18,538	15,562	14,815
10·8%	12·3%	9·0%	4·0%	11·0%	7·9%	11·0%
21·3p	21·5p	11·9p	4·5p	17·3p	11·6p	18·3p
11·7p	11·7p	9·7p	5·3p	10·2p*	10·6p	10·0p*
1·83	1·85	1·24	0·84	1·69	1·09	1·83
				*adjusted for 1-4 rights issue		*adjusted for 1-5 rights issue

Source and application of funds. Year ended 27th September 1975

Source of funds

	£	£
From internal sources:		
Loss (including minority interests) before tax and extraordinary items	(524,531)	
Extraordinary items	(505,569)	(1,030,100)
Adjustments for items not involving the movement of funds:		
Minority interest in retained profits and revaluations of the year	70,181	
Exchange and valuation surpluses on fixed assets	(247,781)	
Increase in market value of quoted investment	(248,671)	
Profits retained in associated companies	(117,890)	
Grants transferred to profit and loss account	(84,688)	
Depreciation	1,843,037	1,214,188
Total generated from operations		184,088
Funds from other sources:		
Regional development grants	79,152	
Shares issued to minority shareholders	48,892	
Increase in loans	159,558	
Increase in bank borrowings	1,373,740	1,661,342
Increase in funds		£1,845,430

Application of funds

Dividends paid	405,091	
Net increase in fixed assets and investments	3,730,262	
Redemption of debentures	47,000	
Foreign tax less UK tax recovered	2,072	4,184,425
Decrease in working capital:		
Decrease in stocks	(681,971)	
Decrease in debtors	(785,733)	
Increase in creditors	(871,291)	(2,338,995)
Application of funds		£1,845,430

Shareholders: Financial calendar

Shareholders On 8th December 1975 the company had the following numbers of share and stock holders:

£1 ordinary shares	4,637
4·9% cumulative preference shares	195
6¼% debenture stock 1977/80	23
6½% debenture stock 1983/88	69
7¾% debenture stock 1985/90	1[illegible]

Of the ordinary shareholders 2,897 (62%) had holdings of 500 shares or less.

The 6¼% debenture stock 1970/75 was redeemed at par on 30th September 1975.

Financial Calendar

Interest paid on:

6¼% debenture stock 1977/80 } 31st March and
8½% debenture stock 1983/88 } 30th September

7% debenture stock 1985/90: 6th December and 6th June.

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

Interim ordinary dividend declared June and paid in July.

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

The annual general meeting held in January.

Finance Act 1965—Capital Gains Tax

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

£1 ordinary shares	£1·89167
4·9% cumulative preference shares	£0·875
6¼% debenture stock 1977/80	£0·875
8½% debenture stock 1983/88	£0·905

AVON RUBBER COMPANY LIMITED
ANNUAL RETURN

S U M M A R Y

	Number of shares held by existing members	Shares transferred by persons who are still members	Shares transferred by persons who have ceased to be members
Preference			
Pages 1 - 31	500,000	118,500	
Pages 32 - 35			234,600
Ordinary			
Pages 36 - 782	6,637,500	2,120,037	
Pages 784 - 929			2,565,729

Signed ...J. Bradley.......
Secretary.

5th February, 1976.