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AVON

1980

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Avon Rubber Company Limited
Report and Accounts

COMPANIES REGISTRATION
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OFFICE

Report and Accounts 1980

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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 2nd February 1981 at 2.30 p.m. for the following purposes:

1 To receive and consider the report of the directors and statement of accounts at 27th September 1980 (Resolution No. 1)

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

3 To re-elect directors:
Mr. J. M. Pinckard and Mr. I. Weston Smith were appointed to the board in November 1980. Mr. P. W. Ridley was appointed to the board in December 1980. Under article 91 they retire at the annual general meeting and being eligible, offer themselves for re-election. (Resolutions No. 3, No. 4 and No. 5)

4 To re-appoint Deloitte Haskins & Sells as auditors to the company (Resolution No. 6)

5 To transact any other routine business

6 As special business, to consider, and if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:
"That the ordinary remuneration of each non-executive director be and it is hereby increased from remuneration at the rate of £1,750 per annum to remuneration at the rate of £4,500 per annum in respect of each financial year beginning with that ending on 3rd October 1981 provided that in respect of the financial year ending 3rd October 1981 the rate of remuneration shall remain at £1,750 per annum for that part of the year which preceded 2nd February 1981." (Resolution No. 7)

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

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

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

The register of directors' interests showing any transactions of directors and their family interests in the share capital of the company and copies of all contracts of service of the directors are available for inspection during business hours at the registered office of the company until the date of the meeting and then at the meeting from fifteen minutes prior to and until the conclusion of the meeting.

By order of the board

C. L. Martin, Secretary

Melksham, Wiltshire

5th January 1981

The year in brief

	1980	1979
Turnover	£155,688,000	£150,5[illegible]8,000
Profit before taxation	£840,000	£2,553,000
Profit after taxation	£499,000	£2,036,000
Ordinary dividend	5·0%	10·3571%
Dividend cover	1·29 times	2·81 times
Profit carried forward	£95,000	£1,243,000
Earnings per share	6·4p	29·1p

Chairman's statement

In the early months of the financial year the company's trading activities showed an improvement over the corresponding period of the previous year and resulted in a better first half profit. The extent to which the developing recession would affect most of the company was not then apparent. We did not expect the monetary squeeze at home to be maintained throughout the year nor that sterling would remain so strong. In the event, high interest rates continued and sterling strengthened against the currencies of all our major export markets. The effects of the recession in the home market and unsatisfactory returns on export business reduced profits almost to a breakeven in the second half of the year.

In these difficult trading conditions much of our business produced unsatisfactory results.

The industrial polymers companies were severely affected by reduction in demand from almost all of their customers at home and overseas. The substantial investments made in recent years in modern plant and factory space contributed to better manufacturing efficiency and helped to win new export orders. The decline in the home market, however, was such that output had to be reduced to the lower levels that continue in the current year.

The loss by the inflatables company was mainly due to a sharp fall in orders from Europe and North America. Short time working in both factories was necessary for most of the year to reduce stocks. In recent months the order inflow from overseas markets has improved, permitting full time working to be resumed at the main factory. The current order book provides grounds for cautious optimism but the effect of the exchange rate on profit margins remains a cause for concern.

Avon Medicals suffered from increased overseas competition, which, combined with a decline in demand in the home market resulted in an extended period of short time working. The high level of investment necessary to support research and development in health care products provides no direct benefit to the mainstream activities of the group. As previously announced, we have decided to sell the medicals company and release the funds which will arise from this divestment for the development of other parts of the group.

At Bridgend, actions taken to reduce losses were in part successful and the results of the motor tube and remould materials businesses showed substantial improvement. Production in the engineering factory however, was severely depressed by the fall in demand for agricultural equipment and the outlook for this sector is particularly uncertain.

Despite difficult conditions, two sectors of our business performed relatively well.

Our tyre interests, comprising Avon Tyres and Motorway Tyres and Accessories, recorded an improved profit in a year which most tyre producers have found particularly difficult. The new truck, passenger, motor cycle and agricultural tyres, which were announced in recent months, have been very well received and their performance is confirmation of our ability to satisfy the ever more demanding requirements of vehicle designers and users. Excess production capacity has followed the decline in vehicle production throughout Europe and North America. The increase in the number of tyres imported has resulted in unprecedented levels of competition in most of our markets and these conditions have intensified in the current year.

Avon Lippiatt Hobbs, a leading specialist in the repair and maintenance of underground distribution systems, primarily for the gas industry, showed a further significant advance in both turnover and profit. The underlying strength of this business, which is being developed on an international basis, will be reinforced by a number of new products in the course of development and these should provide further growth in the current year.

In my statement last year I referred to the reduction of our shareholding in East Africa. During September further shares were subscribed by residents of Kenya and our participation is now below 50%. The East African companies therefore have associated status and have been dealt with as such in the accounts.

At the annual meeting in February, two of our long serving non-executive directors will be retiring. Sir Derrick Carter joined our board in 1970 and Mr. A. N. Irens in 1973. We have benefited to a great degree from their long experience in industry and from their wisdom and guidance. We wish them well in their retirement.

We are pleased to welcome three new non-executive directors, two of whom are actively engaged in managing major United Kingdom companies and the other well versed in government affairs. Mr. Ian Weston Smith is chairman of The Morgan Crucible Company and Mr. John Pinckard is chief executive of the Serck Group. Mr. Philip Ridley was formerly deputy secretary at the Department of Industry. We look forward to their close involvement in the company's activities and you will see that resolutions are proposed for their re-election at the annual general meeting.

In the notice convening the annual general meeting you will note an ordinary resolution proposing an increase in the ordinary remuneration of non-executive directors. For four years, the ordinary remuneration of non-executive directors has been fixed at £1,750 per annum, and this sum falls well short of a proper recompense for their input to the company. It is proposed to increase this sum to £4,500 per annum.

The effects of the recession have been progressive and since the beginning of the new financial year additional short time working in our factories has been necessary. We are continuing to give liquidity priority over profit but the actions necessary to minimize stocks and to maintain factory output in line with sales cause inefficient working patterns and unrecovered factory overheads. Most of our major customers have been similarly affected and find themselves unable to give reliable forecasts of their requirements for our products in the months ahead.

Detailed studies are being made to determine how the structure and organization of the company can be matched to the changes we see developing in our markets.

Your board has considered carefully what level of dividend should be proposed for the year and has concluded that the continuing uncertainties, together with the need to conserve the group's cash resources, do not justify maintenance of the final dividend at the rate paid last year. The directors recommend that a final dividend of 1p per share be paid, which would restrict the total for the year to 5p per share, inclusive of the interim dividend declared in May 1980.

Economic difficulties were foreseen at this time last year but the full extent of the recession on our markets was not. The degree of understanding and co-operation from all employees in dealing with rapidly changing conditions has been outstanding. This has been greatly appreciated and its continuity is essential to the future of the company.

Directors' report

Directors

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

The directors submit the ninetieth annual report and audited accounts of the company for the year ended 27th September 1980.

1 Activities

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

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

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

2 Profit and appropriations

The net profit for the year after taxation and minority interests amounts to £451,000 (1979 £1,955,000). Full details are set out in the profit and loss account on page 8.

Dividends paid amount to £290,000 (1979 £290,000). Dividends proposed amount to £66,000 (1979 £422,000).

3 Group turnover and profit

(a) Turnover	1980		1979	
By company	£'000	%	£'000	%
Tyres/Motorway	86,988	56	82,164	55
Bridgend	10,821	7	10,524	7
Processed Polymers	1,089	1	950	1
Industrial Polymers	27,596	18	25,988	17
Medicals	6,572	4	6,803	5
Inflatables	5,265	3	6,283	4
Kenya	111	—	2,214	1
Lippiatt Hobbs	17,256	11	15,632	10
	155,688	100	150,558	100

By region	1980			
	£'000	%		
United Kingdom	117,478	75	[illegible]	72
Other EEC	19,250	12	[illegible]	[illegible]
Other European Countries	8,728	6	[illegible]	[illegible]
Africa	2,246	1	[illegible]	[illegible]
North America	6,048	4	[illegible]	[illegible]
Other	2,338	2	[illegible]	[illegible]
	155,688	100	150,558	100

(b) Profit by company	1980		1979	
	£'000	%	£'000	%
Tyres/Motorway	989	118	558	22
Bridgend	(331)	(39)	(634)	(25)
Processed Polymers	61	7	149	6
Industrial Polymers	428	51	1,388	54
Medicals	(797)	(95)	255	10
Inflatables	(656)	(78)	(166)	(7)
Kenya	12	1	245	10
Lippiatt Hobbs	1,009	120	721	28
Associated companies	125	15	48	2
	840	100	2,563	100

Due to their increasing interdependence, the results of Tyres and Motorway have been combined.

4 Direct exports from the United Kingdom

Exports from the United Kingdom, including sales through overseas subsidiary companies, amounted to £35,056,000 (1979 £37,027,000).

5 Turnover and profit of operations outside the United Kingdom

Contribution to	1980		1979	
group turnover	£'000	%	£'000	%
EEC countries	7,986	5	7,828	5
Other European countries	5,115	3	4,708	3
Kenya	111	—	2,214	2
North America	2,306	1	2,081	1
Australia	727	1	1,072	1
	16,245	10	17,903	12

Contribution to	1980		1979	
group profit	£'000	%	£'000	%
EEC countries	55	6	7	—
Other European countries	81	10	3	—
Kenya	12	1	245	10
North America	(143)	(17)	9	—
Australia	(37)	(4)	4	—
	(32)	(4)	268	10

6 Associated companies

Name of company	Share capital	Shares held by the group	Accounting date	Basis of consolidation
Société Française des Caoutchoucs Spencer Moulton	22,000 shares of 50 francs each	50%	30th September	Unaudited accounts for 1980
Ames-Avon Industries	2,000 shares of no par value	49%	31st December	Audited accounts for 1979. Unaudited accounts for 9 months to September 1980
Avon Rubber Company (Kenya) Ltd	205,000 shares of 20 shillings each	47%	30th September	Audited accounts for 1980
Avon Marketing Services (Kenya) Ltd	32,500 shares of 20 shillings each	35%	30th September	Audited accounts for 1980
Avon Export Services Ltd	1,400 shares of 20 shillings each	39%	30th September	Audited accounts for 1980

In line with the company's stated policy of increasing local participation in its Kenyan operations, further shares have been subscribed by Kenyan citizens. The group now controls less than 50% of the total equity of these companies. They are no longer consolidated as subsidiary companies but are brought into account as associated companies. The net value of the share of assets transferred as a result of this transaction amounts to £123,000 and is shown as a reduction in reserves and in the funds statement as an adjustment not involving the movement of funds.

7 Directors

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

	At the beginning of the year		At the end of the year	
	ord	pref	ord	pref
J. R. Bradbeer	3,315	—	3,315	—
Sir Derrick Carter	750	—	750	—
R. S. Deacon	1,500	—	1,500	—
Lord Farnham	3,125	—	3,125	—
P. M. Fisher	6,625	500	6,625	500
D. L. Gibson	4,042	500	4,042	500
A. N. Irens	1,500	—	1,500	—
A. K. Mitchard	1,000	—	1,000	—

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

No movements occurred in directors' shareholdings between the end of the financial year and 5th December 1980.

Mr. J. M. Pinckard, Mr. I. Weston Smith and Mr P. W. Ridley, who have been appointed to the board since the last annual general meeting, retire under article 91 and, being eligible, offer themselves for re-election.

Sir Derrick Carter and Mr. A. N. Irens retire as directors and do not seek re-election.

8 Substantial shareholdings

A holding in the name of Britannic Assurance Company Limited amounts to 5·27% of the ordinary share capital.

9 Political and charitable contributions

No political contributions were made during the year. Contributions for charitable purposes amounted to £5,000 (1979 £6,000).

10 Employees

The average number of employees of the group (excluding overseas) during the year was 7,658 (1979 8,383) and their aggregate remuneration amounted to £39,345,000 (1979 £37,631,000).

11 Land and buildings

Land and buildings in the United Kingdom have been valued during the year. The net increase in value of £2,607,000 has been reflected in the accounts.

12 Close companies

The 'close company' provisions of the Income and Corporation Taxes Act 1970 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

5th January 1981

Consolidated profit and loss account

for the year ended 27th September 1980

	1980 £'000	1979 £'000
Sales to external customers	**155,688**	**150,558**
Profit on trading (Note 1) Share of profits of associated companies (Note 2)	715 125	2,485 68
Group profit for the year before taxation Taxation (Note 3)	**840** 341	**2,553** 515
Group profit for the year after taxation Minority interests	499 48	2,038 83
Profit for the year	451	1,955
Dividends (Note 4)	**356**	**712**
Profit carried forward (£822,000 (1979 £127,000) in the parent company)	**95**	**1,243**
Earnings per share (Note 6)	6·4p	29·1p

Notes on the accounts

1 Profit

Profit on trading is stated after charging

	1980 £'000	1979 £'000
Audit fees and expenses	152	[illegible]
Depreciation	2,833	[illegible]
Hire of plant and machinery	3,471	[illegible]
Interest on bank loans and overdrafts	2,301	[illegible]
Interest on short term loans	720	[illegible]
Interest on long term loans	141	[illegible]
	9,618	**8,476**

2 Associated companies

	1980 £'000	1979 £'000
Group share of profits	125	68
Less: taxation	69	32
received in dividend	11	4
	80	36
Retained by associated companies	45	32

3 Taxation

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

	1980 £'000	1979 £'000
United Kingdom corporation tax	37	(100)
United Kingdom advance corporation tax	152	322
Overseas taxes	83	261
Associated companies	69	32
	341	515

b As a result of tax losses brought forward and capital allowances there is no corporation tax payable other than an amount in respect of a partly owned subsidiary to which group relief cannot be surrendered and advance corporation tax written off.

c Tax losses of £2,448,000 are available for relief against future trading profits of certain United Kingdom subsidiary companies.

d The group does not provide for deferred taxation unless a liability can be foreseen. If deferred taxation was accounted for on the liabilities basis at 52% the charge for the year would be increased by £1,083,000 (1979 £61,000 reduction) and the full liability at the year end would be as follows:

	1980 £'000	1979 £'000
Capital allowances	4,949	4,529
Stock appreciation relief	6,139	6,218
	11,088	10,747
Relief for tax losses	(1,273)	(2,114)
Advance corporation tax	(1,818)	(1,719)
	7,997	6,914

No account has been taken of recent Revenue proposals on stock relief due to the uncertainty of their effect.

e Accumulated profits retained by overseas subsidiary companies, amounting to £640,000, would be subject to additional taxation of approximately £260,000 if distributed to their parent companies in the United Kingdom.

4 Dividends

	1980 £'000	1979 £'000
Paid:		
4·9% cumulative preference shares	24	24
Ordinary shares 4% interim paid 7 July 1980 (1979 4%)	266	266
Proposed:		
Ordinary shares 1% final (1979 6·3571%)	66	422
	356	**712**

5 Remuneration

Directors

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

	1980 £'000	1979 £'000
For services as directors	3	3
Other emoluments	137	127
Pensions in respect of former executive directors	6	5
	146	**135**
Emoluments of the chairman	8	8
Emoluments of highest paid director	31	27
	Number	Number
Other directors' emoluments:		
Up to £5,000	3	4
£20,001-£25,000	1	3
£25,001-£30,000	2	—

Other employees

The number of employees of the group and the parent company in the United Kingdom whose total emoluments exceeded £20,000 was:

	1980 Group	1980 Parent	1979 Group	1979 Parent
£20,001-£25,000	4	—	1	—
£25,001-£30,000	1	—	[illegible]	—

6 Earnings per share

The calculation of earnings per share is based on a profit of £427,000 (1979 £1,931,000) and 6,637,500 ordinary shares in issue throughout the two years ended 27th September 1980.

Consolidated balance sheet

as at 27th September 1980

	1980 £'000	1979 £'000
Issued share capital (Note 7)	7,137	7,137
Reserves (Note 8)	20,006	17,819
	27,143	**24,956**
Minority shareholders' interests	217	507
	27,360	**25,463**
Debenture stocks (Note 9)	2,617	2,656
Loans and overdrafts (Note 10)	11,974	12,832
Current liabilities and provisions (Note 11)	40,701	37,952
	82,652	**78,902**
Fixed assets (Note 12)	21,511	19,089
Goodwill	1,537	1,308
Investments (Note 14)	713	322
Current assets (Note 16)	58,891	58,183
	82,652	**78,902**

Farnham

P. M. Fisher

Balance sheet

as at 27th September 1980

	1980 £'000	1979 £'000
Issued share capital (Note 7)	7,137	7,137
Reserves (Note 8)	10,187	8,710
	17,324	**15,847**
Debenture stocks (Note 9)	2,617	2,655
Loans and overdrafts (Note 10)	2,475	3,959
Current liabilities and provisions (Note 11)	4,518	7,078
	26,934	**29,539**
Fixed assets (Note 13)	5,409	3,779
Investments (Note 14)	121	181
Subsidiary companies (Note 15)	15,835	18,173
Current assets (Note 16)	5,569	7,406
	26,934	**29,539**

Farnham

P. M. Fisher

Notes on the accounts

7 Share capital

	1980 £'000	1979 £'000
Authorised:		
7,500,000 ordinary shares of £1 each	7,500	7,500
500,000 4·9% cumulative preference shares of £1 each	500	500
	8,000	**8,000**

	1980 £'000	1979 £'000
Issued:		
6,637,500 ordinary shares of £1 each fully paid	6,637	6,637
500,000 4·9% cumulative preference shares of £1 each fully paid	500	500
	7,137	**7,137**

Under the Savings Related Share Option Scheme, employees of the group have options to purchase 27,020 ordinary shares of £1 each, exercisable as follows:

No. of shares	Option price	Exercisable From	To
21,420	£1·57	Feb. 1984	Feb. 1985
2,440	£1·17	Feb. 1985	Feb. 1986
2,700	£1·75	Feb. 1986	Feb. 1987
460	£1·30	Feb. 1987	Feb. 1988

8 Retained profits and reserves

	1980 Group £'000	Parent £'000
a Share premium	**2,241**	**2,241**
b Other reserves at 29th September 1979	15,578	6,469
Retained profit for year	95	822
Surplus arising on valuation of freehold and leasehold properties	2,607	662
Investment incentive grants	38	—
	18,318	7,953
Less		
Group share of reserves in Kenyan companies (note 6 directors' report)	123	—
Exchange losses	335	5
Investment incentive grants transferred to profit and loss	95	2
	17,765	**7,946**
Total reserves at 27th September 1980 including investment incentive grants of £194,000 for the group and nil for the parent company	**20,006**	**10,187**

	1979 Group £'000	Parent £'000
a Share premium	**2,241**	**2,241**
b Other reserves at 29th September 1978	14,404	6,342
Retained profit for year	1,24[illegible]	127
Investment incentive grants	10	-
	15,745	**6,469**
Less		
Exchange losses	85	-
Investment incentive grants transferred to profit and loss	82	-
	15,578	**6,469**
Total reserves at 29th September 1979 including investment incentive grants of £251,000 for the group and £2,000 for the parent company	**17,819**	**8,710**

9 Debenture stocks (secured)

	1980 £'000	1979 £'000
6½% 1977/80	598	598
6½% 1983/88	835	855
7¼% 1985/90	1,184	1,202
	2,617	**2,655**

10 Loans and Overdrafts

	1980 Group £'000	Parent £'000
a Bank overdrafts (secured £7,912,000)	9.140	—
b Secured bank loan at 2% above base rate repayable in 5 equal instalments, the last payment in 1982	1,125	1,125
c Secured bank loan at 1½% above London inter bank offer rate repayable in 5 equal annual instalments, the last payment in 1986	1 350	1,350
d Secured bank loan at 10% repayable in monthly instalments, the last payment in 1993	160	—
Total bank borrowings	11,775	2,475
e Repayable within 5 years from 27th September 1980	199	—
	11,974	2,475

	1979 Group £'000	Parent £'000
a Bank overdrafts (secured group £8,171,000 parent £734,000)	9,118	734
b Secured bank loan at 2% above base rate repayable in 10 equal instalments, the last payment in 1982	1,875	1,875
c Secured bank loan at 1½% above London inter bank offer rate repayable in 5 equal annual instalments, the last payment in 1986	1,350	1,350
d Secured bank loan at 10% repayable in monthly instalments, the last payment in 1993	178	—
Total bank borrowings	12,521	3,959
e 7⅞% mortgage repayable in half yearly instalments the last payment in 1993	2	—
f Repayable within 5 years from 29th September 1979	309	—
	12,832	3,959

The borrowings of the group are repayable:

1980	Bank loans and overdrafts £'000	Other borrowings £'000
In 1 year or less, or on demand	9,848	34
Between 1 and 2 years	696	—
Between 2 and 5 years	849	165
In 5 years or more	382	—
	11,775	199

1979	Bank loans and overdrafts £'000	Other borrowings £'000
In 1 year or less, or on demand	9,881	90
Between 1 and 2 years	763	—
Between 2 and 5 years	1,223	219
In 5 years or more	654	2
	12,521	317

11 Current liabilities and provisions

	1980 Group £'000	Parent £'000
Acceptance credits (secured)	3,000	—
Creditors and accruals	37,484	4,452
Taxation	151	—
Provision for dividend on ordinary shares	66	66
	40,701	4,518

	1979 Group £'000	Parent £'000
Acceptance credits (secured)	2,500	2,500
Creditors and accruals	34,771	4,156
Taxation	259	—
Provision for dividend on ordinary shares	422	422
	37,952	7,078

Notes on the accounts

12 Fixed assets—group

	Freehold land and buildings £'000	Short leaseholds £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
Cost and valuations at 29th September 1979	7,483	589	1,640	29,474	39,186
Exchange differences	(53)	(1)	(2)	(55)	(111)
Valuations	168	169	528	—	865
Additions at cost	693	63	15	2,591	3,362
Disposals at cost	(55)	(2)	(176)	(1,593)	(1,826)
Cost and valuations at 27th September 1980	8,236	818	2,005	30,417	41,476
Depreciation at 29th September 1979	1,435	255	150	18,257	20,097
Exchange differences	(5)	(1)	—	(34)	(40)
Depreciation on assets valued	(1,514)	(102)	(166)	—	(1,782)
Depreciation for the year	149	46	30	2,608	2,833
Depreciation on disposals	(8)	(2)	(14)	(1,119)	(1,143)
Depreciation at 27th September 1980	57	196	—	19,712	19,965
Net fixed assets at 27th September 1980	8,179	622	2,005	10,705	21,511
Net fixed assets at 29th September 1979	6,048	334	1,490	11,217	19,089
Fixed assets comprise:					
Cost	517	358	—	30,417	31,292
Valuation 1980	7,719	460	2,005	—	10,184
	8,236	818	2,005	30,417	41,476

1 The majority of the group's land and buildings were valued by Knight Frank & Rutley as at 27th September 1980. The basis of the valuation was on existing use with the benefit of vacant possession. Each property was valued individually and not as part of a portfolio. The increase in value amounted to £2,647,000 less the costs of valuation, £40,000.

2 Disposals include assets at a cost of £734,000 and depreciation of £374,000 in the Kenyan companies, now associated companies.

3 Commitments for capital expenditure for which no provision has been made in the accounts are estimated at £222,000 (1979 £1,451,000) for the group including £10,000 (1979 £13,000) for the parent company.

4 Future capital expenditure authorised by the board at 27th September 1980 for which orders had not been placed at that date amounted to £731,000 (1979 £1,480,000) for the group including £41,000 (1979 £70,000) for the parent company.

13 Fixed assets—Avon Rubber Company Limited

	Freehold land and buildings £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
Cost at 29th September 1979	3,820	—	2,352	6,172
Valuation	(776)	288	—	(488)
Additions at cost	511	15	191	717
Inter company transfers	214	312	171	697
Disposals at cost	(12)	—	(67)	(79)
Cost and valuation at 27th September 1980	3,757	615	2,647	7,019
Depreciation at 29th September 1979	1,008	—	1,385	2,393
Depreciation on assets valued	(1,142)	(47)	—	(1,189)
Depreciation for the year	77	6	177	260
Depreciation on inter company transfers	69	41	102	212
Depreciation on disposals	(8)	—	(58)	(66)
Depreciation at 27th September 1980	4	—	1,606	1,610
Net fixed assets at 27th September 1980	3,753	615	1,041	5,409
Net fixed assets at 29th September 1979	2,812	—	967	3,779
Fixed assets comprise:				
Cost	22	—	2,647	2,669
Valuation 1980	3,735	615	—	4,350
	3,757	615	2,647	7,019

14 Investments

	1980 Group £'000	Parent £'000
a At cost:		
Unlisted associated companies	301	—
Other unlisted investments	140	121
	441	121
Group share of undistributed profits in associated companies	272	—
	713	121
b Directors' valuation:		
Associated companies	553	—
Other investments	669	600
	1,222	600

	1979 Group £'000	Parent £'000
a At cost		
Unlisted associated company	42	—
Other unlisted investments	212	181
	254	181
Group share of undistributed profits in associated company	68	—
	322	181
b Directors' valuation:		
Associated company	110	—
Other investments	691	660
	801	660

15 Subsidiary companies

	1980 £'000	1979 £'000
Shares at cost, less amounts written off	3,480	2,995
Deduct amounts owing to subsidiary companies	2,319	399
	1,161	2,596
Add amounts owing by subsidiary companies	14,674	15,577
	15,835	18,173

A list of subsidiary companies appears on page 20.

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

16 Current assets

	1980 Group £'000	Parent £'000
Raw materials	4,103	502
Work in progress	5,132	—
Finished goods	18,878	—
Total stocks	28,113	502
Debtors and prepayments	30,112	150
Bank balances and cash	666	4,917
	58,891	5,569

	1979 Group £'000	Parent £'000
Raw materials	4,425	576
Work in progress	5,422	
Finished goods	18,362	
Total stocks	28,209	576
Debtors and prepayments	29,631	495
Bank balances and cash	343	6,335
	58,183	7,406

17 Contingent liabilities

	1980 Group £'000	Parent £'000
a Overdraft facilities and loans of subsidiary companies	—	1,222
b Bills under discount	547	—
c Bills payable endorsed	—	1,462
d Other guarantees	507	488
	1,054	3,172

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

18 Charges on assets

The assets of the company are subject to charges in respect of debenture stocks, borrowings and borrowings of certain subsidiary companies amounting in total to £15,411,000 (1979 £10,550,000).

Source and application of funds

year ended 27th September 1980

	£'000	1980 £'000	£'000	1979 £'000
Source of funds				
From internal sources:				
Profit (excluding minority interests) before tax		792		2,470
Adjustments for items not involving the movement of funds:				
Depreciation	2,833		2,832	
Minority interests in retained profits	(290)		49	
Profits retained in associated companies	(114)		(64)	
Grants transferred to profit and loss account	(95)	2,334	(82)	2,795
Total generated from operations		3,126		5,265
From external sources:				
Investment incentive grants		38		18
Increase in funds		3,164		5,283
Other adjustments for items not involving the movement of funds:				
Reduction in unrealised exchange surplus on current assets	(263)		20	
Kenyan companies (note 6 in directors report) *	(123)	(386)	—	20
		2,778		**5,303**
Application of funds				
Net increase in fixed assets, goodwill and investments	3,295		3,328	
Reduction in short term loans	111		70	
Redemption of debentures	38		—	
Dividends paid	712		712	
Tax paid	351		517	
Purchase of subsidiary	—	4,507	1,768	6,395
Reduction in working capital:				
Stock	(96)		2,588	
Debtors	483		6,470	
Creditors	(2,685)	(2,298)	(6,163)	2,895
Movement in net liquid funds				
Reduction in bank borrowing		569		(3,987)
		2,778		**5,303**

*Kenyan companies:

Net Assets disposed of	£'000
Fixed assets	360
Stocks	779
Debtors	121
Unrealised exchange surplus	22
Creditors	(547)
Bank borrowing	(56)
	679

Discharged by	£'000
Investments in associated companies	226
Reduction in minority interests	330
	556
Movement in reserves	123
	679

Accounting policies
year ended 27th September 1980

The bases set out below are those used in group and parent company accounts in the year ended 27th September 1980, and are consistent with those used last year.
Accounts are prepared on the historical cost basis, modified by the inclusion of certain fixed assets at valuation.

Accounting period
The company's accounting period ends on the Saturday nearest to 30th September each year. The period ended 27th September 1980 consists of 52 weeks.

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

Depreciation
a No depreciation is provided on freehold land where its value can be separately ascertained. In all other cases, freehold properties are depreciated on the straight line method at the rate of 2% per annum.
b Short leasehold property is amortised over the life of the lease, by equal annual instalments.
c Long leasehold property is amortised at the rate of 2% per annum.
d Plant and machinery is depreciated on the straight line method, at rates varying between 7½% and 50% per annum.

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

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

Taxation
No provision for deferred taxation is made where there is reasonable evidence that no liability is likely to arise as a result of reversal of timing differences for some considerable period ahead.

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

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

Auditors' report

To the members of Avon Rubber Company Limited
We have audited the accounts on pages 8 to 17 in accordance with approved Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group at 27th September 1980 and of the profit and source and application of funds of the group for the year then ended, and comply with the Companies Acts 1948 and 1967.

Deloitte Haskins & Sells
Deloitte Haskins & Sells
Chartered Accountants

Bristol

5th January 1981

Ten year record

	1980	[illegible]
	£'000	£'000
Turnover	155,688	[illegible]
Group profit		
Balance on trading	10,333	[illegible]
Investment income	—	—
Share of profits of associated companies	125	68
	10,458	11,028
Depreciation and other charges	6,456	6,283
	4,002	4,745
Bank and loan interest	3,162	2,192
Profit before taxation	840	2,553
Taxation	341	515
Profit after taxation	499	2,038
Minority interests	48	83
	451	1,955
Extraordinary items	—	—
Profit attributable to Avon shareholders	451	1,955
Appropriations		
Avon Rubber Company Limited		
Preference dividends	24	24
Ordinary dividends	332	688
Profits retained	95	1,243
	451	1,955
Capital employed		
Fixed assets, investments and goodwill	23,761	20,719
Working capital	21,190	22,731
Total capital employed	44,951	43,450
Financed by		
Ordinary share capital	6,637	6,637
Reserves attributable to Avon shareholders	20,006	17,819
Ordinary shareholders' capital employed	26,643	24,456
Preference share capital	500	500
Minority shareholders' interests	217	507
Debenture stocks	2,617	2,655
Bank overdrafts and loans	14,974	15,332
Total capital employed	44,951	43,450
Rate earned (before tax and interest) on capital employed	8·9%	10·9%
Earnings per share	6·4p	29·1p
Dividends per share	5·0p	10·4p
Dividend cover	1·29	2·81

1978	1977	1976	1975	1974	1973	1972	1971
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
119,867	108,020	87,836	71,920	64,152	53,309	49,637	40,427
8,939	9,932	6,920	3,397	5,536	5,393	4,800	5,022
—	16	16	—	3	19	10	18
244	115	6	474	58	59	37	—
9,183	10,063	6,942	3,871	5,597	5,471	4,847	5,040
3,495	3,225	2,761	2,742	2,465	2,378	2,183	2,099
5,688	6,838	4,181	1,129	3,132	3,093	2,664	2,941
1,274	1,421	1,728	1,632	1,189	858	652	633
4,414	5,417	2,453	(503)	1,943	2,235	2,012	2,308
760	741	550	255	230	28	321	579
3,654	4,676	1,903	(758)	1,713	2,207	1,691	1,729
102	110	55	21	(4)	13	8	8
3,552	4,566	1,848	(779)	1,717	2,194	1,683	1,721
(309)	—	—	(293)	(125)	26	—	—
3,243	4,566	1,848	(1,072)	1,592	2 220	1,683	1,721
24	24	24	23	21	26	30	30
688	616	332	67	568	567	774	774
2,531	3,926	1,492	(1,162)	1,003	1,627	879	917
3,243	4,566	1,848	(1,072)	1,592	2,220	1,683	1,721
19,075	17,291	17,380	18,170	15,617	13,334	12,084	11,733
18,738	17,114	14,411	12,757	14,603	12,032	12,552	12,165
37,813	34,405	31,791	30,927	30,220	25,366	24,636	23,898
6,637	6,637	6,637	6,637	6,637	6,637	6,637	4,425
16,725	14,244	10,304	8,580	9,696	9,519	7,805	9,916
23,362	20,881	16,941	15,217	16,333	16,156	14,442	14,341
500	500	500	500	500	500	500	500
458	369	294	261	142	117	78	74
2,655	2,685	2,780	3,163	3,210	3,260	3,305	3,354
10,838	9,970	11,276	11,786	10,035	5,333	6,311	5,629
37,813	34,405	31,791	30,927	30,220	25,366	24,636	23,898
15·0%	19·9%	13·2%	3·7%	10·4%	12·2%	10·8%	12·3%
53·2p	68·4p	27·5p	(12·1p)	25·6p	32·7p	24·9p	25·5p
10·4p	9·3p	5·0p	1·0p	8·6p	8·6p	11·7p	11·7p
4·68	7·37	5·49	—	2·77	3·87	2·14	2·18

Shareholders and financial calendar

Shareholders

On 5th December 1980 the company had the following number of share and stock holders:

£1 ordinary shares	3,287
4·9% cumulative preference shares	142
6¼% debenture stock 1977/80	25
6½% debenture stock 1983/88	47
7¼% debenture stock 1985/90	132

Of the ordinary shareholders 2,067 (63%) had holdings of 500 shares or less.

Financial calendar

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

Interest paid on:

6¼% debenture stock 1977/80	repayable 31st December 1980
6½% debenture stock 1983/88	31st March and 30th September
7¼% debenture stock 1985/90	6th December and 6th June

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

Interim ordinary dividend declared in June and paid in July.

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

Annual general meeting held in February.

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
6½% debenture stock 1983/88	£0·905

Printed in England by Waterlow London

Subsidiary and associated companies

as at 27th September 1980

		Country of incorporation
Avon Tyres Limited		England
Avon Tyres (Ireland) Limited		Eire
Avon Technical Services Limited		England
Avon Reifen (Deutschland) GmbH		W. Germany
*Avon Rubber Co AB		Sweden
Avon (Suisse) SA		Switzerland
Avon Industrial Polymers (Bradford-on-Avon) Limited		England
Avon Industrial Polymers (Melksham) Limited		England
Avon Illinois Inc.		U.S.A.
Avon-Ames Limited	51%	England
Avon Processed Polymers Limited		England
Avon Inflatables Limited		England
Avon Inflatables of Canada Limited		Canada
Avon Rubber Company (Bridgend) Limited		England
Avon Medicals Limited		England
Avon Medicals GmbH		W. Germany
Dravon Medical Inc.		U.S.A.
Avon Medicals (Nederland) BV		Netherlands
Avon Medical S.A.R.L.		France
Motorway Tyres and Accessories Limited		England
City Tyre Co. Limited		England
Shaw Tyre and Battery Company Limited		N. Ireland
Avon Lippiatt Hobbs Limited (including preference shares)		England
ALH Systems Limited		England
Avon Lippiatt Hobbs (Contracting) Limited		England
Avon Rubber Company East Africa Limited		England
Avon Rubber Company (Uganda) Limited		Uganda
Walker Radial Pty Limited	51%	Australia
Associated Companies		
Société Française des Caoutchoucs Spencer Moulton	50%	France
Ames-Avon Industries	49%	U.S.A.
Avon Rubber Company (Kenya) Limited	47%	Kenya
Avon Marketing Services (Kenya) Limited	35%	Kenya
Avon Export Services Limited	39%	Kenya

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

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

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

*Since the year end, the decision has been made to close Avon Rubber Co. AB in May 1981.

Avon Rubber Company Limited
Melksham, Wiltshire