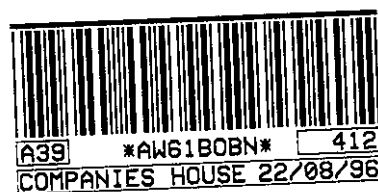


CANNON RUBBER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

REGISTERED NUMBER: 313835



CANNON RUBBER LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

The directors present their report together with the accounts for the 52 weeks ended 31 December 1995.

RESULTS

The results for the year and transfer to reserves of £248,000 (1994: £540,000) are set out in the profit and loss account on page 5.

For the year ended 31 December 1995 interim dividends of 70.00p, 50.00p and 43.74p per share were paid on 11 May, 24 July and 1 October 1995 respectively. A final dividend of 80.00p per share was paid on 24 November 1995 and a further final dividend of 28.11p per share is proposed.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company are those of the creation, design, manufacture and marketing of automotive and baby consumer products.

1995 saw the company record another solid trading performance. Turnover increased by 11.5 per cent to £33.6 million and operating profit grew to £2.1 million, an increase of 18.1 per cent. Lower interest costs through the repayment of bank debt improved the profit before tax by 41 per cent, to £1.7 million. The growth in exports again outstripped growth in UK sales, further strengthening the wide geographic spread and penetration of the markets into which we sell.

The vast majority of our products are sold through retail outlets in the UK, Europe and USA. Almost all of these sales are marketed under one of our own brands - Cannon, Avent or Cannon Babysafe. The company's two divisions producing Baby Products and Car Mats are, in both fields, the UK's No 1 producer and amongst the largest in Europe.

The car mat business continues to benefit from the continuous stream of new products we have introduced over the past few years and we plan further new product introductions this year.

Sales of our baby products, mainly marketed under the Avent brand, continued to make impressive gains especially in the USA. Avent is now regarded as the premier brand by retailers, competitors and consumers alike. This brand continues to grow at an average rate of 25 per cent annually.

A small improvement in operating margins was realised in 1995 in spite of significant increases in certain raw material commodity prices which we were unable to pass on to our customers. This was achieved through our ongoing cost reduction programme in every area except in the advertising and promotional support for our brands. There is not currently the pressure on commodity prices we experienced at their peak in mid-1995, although some supplies remain tight.

Of major importance during the year was the investment of £5.0 million by 3i Group plc by way of the subscription for newly created 'A' Ordinary Shares in the parent undertaking, CR Holdings PLC, on 12th May 1995. This enabled the company to repay long term bank debt and increase its rate of expansion.

The first quarter of 1996 has been most encouraging with every part of our business performing well. We are confident of another year of significant progress in both operating divisions.

CANNON RUBBER LIMITED

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (Continued)

DIRECTORS

The directors of the company during the year were as follows:

E Atkin
G Shalet
HM Carlton
J Holloway
J Morris
A Conway

None of the directors held any direct interest in the share capital of the company. The interests of Mr E Atkin in the share capital of the holding company, CR Holdings PLC, are disclosed in that company's Directors' Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 18, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

FIXED ASSETS

Details of fixed assets are shown in notes 7 and 8 to the accounts. Land and buildings were revalued based on a professional valuation as at 31 December 1992.

EMPLOYEES

The company is continually seeking new and improved methods of achieving a greater degree of involvement of all staff.

It is the company's policy to offer equal opportunity to disabled persons applying for vacancies and in their training, career development and promotion, having regard to their aptitudes and abilities in relation to the jobs for which they apply.

Wherever possible, the company will continue the employment of persons who become disabled during the course of their employment including, if appropriate, the provision of suitable alternative employment.

CANNON RUBBER LIMITED

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 31 DECEMBER 1995 (Continued)

ENVIRONMENTAL ISSUES

The company is concerned for the necessity to operate its affairs with an awareness of environmental issues. This commitment has been embodied in a comprehensive policy document which the company has adopted to address these matters.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company has maintained insurance to cover directors' and officers' liability as permitted by Section 310(3) of the Companies Act 1985.

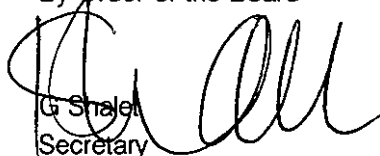
CHARITABLE DONATIONS

Charitable donations made during the 52 weeks totalled £10,362 (1994 : £11,314).

AUDITORS

Under Section 386 of the Companies Act 1985 the company has elected to dispense with the obligation to appoint auditors annually.

By Order of the Board


G. Shale
Secretary

29 April 1996

Ashley Road
London N17 9LH

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF CANNON RUBBER LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit and cash flows for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

29 April 1996

CANNON RUBBER LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

	<u>Note</u>	52 weeks ended 31 December <u>1995</u> £'000	52 weeks ended 1 January <u>1995</u> £'000
TURNOVER	1,2	33,567	30,110
Cost of sales		<u>(24,170)</u>	<u>(21,523)</u>
GROSS PROFIT		9,397	8,587
Distribution costs		(869)	(942)
Administration expenses		(6,302)	(5,806)
Foreign exchange (losses)		<u>(146)</u>	<u>(78)</u>
OPERATING PROFIT	3	2,080	1,761
Interest payable	4	<u>(375)</u>	<u>(552)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,705	1,209
Taxation	5	<u>(490)</u>	<u>(341)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,215	868
Dividends	6	<u>(967)</u>	<u>(328)</u>
RETAINED PROFIT FOR THE YEAR	15	248	540
		<u><u> </u></u>	<u><u> </u></u>

The company has no recognised gains or losses other than its profit for the financial year as disclosed above. All of the above results derive from the continuing operations of the company.

The notes on pages 8 to 18 form an integral part of these accounts.

CANNON RUBBER LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	Note	31 December 1995		1 January 1995	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	8		210		178
Tangible assets	7		7,254		6,809
CURRENT ASSETS					
Stocks	9	4,415		4,735	
Debtors	10	5,531		5,603	
Cash at bank and in hand		<u>188</u>		<u>452</u>	
		10,134		10,790	
CREDITORS (amounts falling due within one year)	11	<u>(6,449)</u>		<u>(9,037)</u>	
NET CURRENT ASSETS			<u>3,685</u>		<u>1,753</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			11,149		8,740
CREDITORS (amounts falling due after more than one year)	12		(5,594)		(3,424)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	13		<u>(143)</u>		<u>(152)</u>
			5,412		5,164
CAPITAL AND RESERVES					
Called up share capital	14		356		356
Revaluation reserve	15		1,610		1,610
Profit and loss account			<u>3,446</u>		<u>3,198</u>
			5,412		5,164

Approved by the Board on 29 April 1996

E Atkin - DIRECTOR

The notes on pages 8 to 18 form an integral part of these accounts.

CANNON RUBBER LIMITED

CASH FLOW STATEMENT

FOR THE 52 WEEKS ENDED 31 DECEMBER 1995

	<u>Note</u>	<u>52 weeks ended</u> <u>31 December 1995</u>		<u>52 weeks ended</u> <u>1 January 1995</u>	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	16(a)		2,890		3,359
Servicing of finance					
Interest paid		(282)		(487)	
Interest element of finance lease rental payments		(97)		(72)	
Dividends paid		<u>(867)</u>		<u>(328)</u>	
Net cash outflow from servicing of finance			(1,246)		(887)
Taxation					
Corporation tax paid			(475)		-
Investing activities					
Payments to acquire tangible fixed assets		(1,426)		(1,258)	
Payments to acquire intangible fixed assets		(32)		-	
Receipts on sale of fixed assets		<u>32</u>		<u>51</u>	
Net cash outflow from investing activities			<u>(1,426)</u>		<u>(1,207)</u>
Net cash (outflow)/inflow before financing			(257)		1,265
Financing					
Loan received from parent undertaking		5,000		-	
Long term loan repayment		(3,173)		(317)	
Capital element of finance lease repayments		<u>(397)</u>		<u>(291)</u>	
Net cash inflow/(outflow) from financing			<u>1,430</u>		<u>(608)</u>
Increase in cash and cash equivalents	16(b)		1,173		657
			<u>=====</u>		<u>=====</u>

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

1 ACCOUNTING POLICIES

(1) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

(2) Turnover

Turnover represents sales invoiced to outside customers and fellow subsidiaries, less returns and allowances and is stated exclusive of value added tax.

(3) Depreciation

Tangible fixed assets are depreciated over their estimated useful lives, at the following rates per annum:

Freehold land	- Nil
Freehold buildings	- 2% on cost or valuation
Plant and machinery	- 15% on cost
Office furniture, fittings and equipment	- 12½-20% on cost
Motor vehicles	- 25% on cost
Moulds	- 25% on cost

Provision is made for permanent diminutions in the value of intellectual property rights as and when such diminution is identified.

(4) Stocks and work-in-progress

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes direct materials and labour together with apportioned overheads.

(5) Deferred taxation

Provision is made, using the liability method, for taxation deferred as a result of capital allowances on tangible fixed assets being greater than the depreciation of these assets in the accounts. Full provision is made since it is anticipated that such differences will reverse in the foreseeable future. Short term timing differences are also taken into account. No provision is made for taxation that would become payable on the disposal of land and buildings at their revalued amounts.

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

1 ACCOUNTING POLICIES (continued)

(6) Leased assets

Assets held under finance leases are accounted for as purchases of assets. When a finance lease agreement is entered into, the fixed asset and the related obligation are included in the balance sheet at the fair value of the asset. The fixed asset is depreciated over its estimated useful life. Period payments of rent are accounted for in the appropriate proportions as repayments of principal and charges of interest.

(7) Rates of exchange

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction.

At the balance sheet date, amounts payable or receivable in a foreign currency have been converted at the rate of exchange ruling at that date.

(8) Research and development

New product development expenditure which has been capitalised will be amortised on a straight line basis over a period of four years commencing with the year in which sales of the products are first realised or the life of the product, if shorter than four years. The full amount of any development expenditure will be written off immediately it is recognised that there are doubts over the future benefits arising from the work.

2 SEGMENTAL INFORMATION

The geographical analysis of the company's turnover is as follows:

	Turnover	
	1995	1994
	£'000	£'000
Geographical market:		
United Kingdom	18,086	16,834
Europe and the rest of the world	<u>15,481</u>	<u>13,276</u>
	33,567	30,110
	<u> </u>	<u> </u>

In the opinion of the directors the disclosure of additional financial information by geographical market or by class of business would be seriously prejudicial to the interests of the company.

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

3 OPERATING PROFIT

	<u>1995</u> £'000	<u>1994</u> £'000
Operating profit is stated after charging/(crediting):		
Staff costs (excluding directors' emoluments):		
Wages and salaries	8,265	7,595
Social security costs	849	790
Other pension costs	59	120
Depreciation		
- Owned assets	1,142	1,134
- Leased assets	301	251
Provision for bad and doubtful debts	10	80
Hire of plant and machinery	47	37
Auditors' remuneration - audit	29	29
- other	43	45
Profit on sale of fixed assets	(24)	(49)
Management fee to holding company	139	122
Rebate to Cannon Rubber GmbH	138	564

Directors' emoluments

The total emoluments of directors, including pension contributions, were as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
Emoluments	480	466
Pensions	<u>138</u>	<u>217</u>
	618	683

The emoluments of the chairman, excluding pension contributions, were as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
Chairman and highest paid director	<u>178</u>	<u>161</u>
	<u>1995</u>	<u>1994</u>
£55,001 - £60,000	3	2
£60,001 - £65,000	1	2
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-
£160,001 - £165,000	-	1
£175,001 - £180,000	1	-

In addition to the emoluments shown above, Gainswood Limited, a company owned by C Atkin was paid £21,700 during the year (1994: £75,150) for consultancy services. C Atkin also received payments and benefits in kind from the company for management services provided, amounting in the aggregate to £72,283.

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

4 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1995</u> £'000	<u>1994</u> £'000
Long term loan (repaid during 1995)	137	347
Bank overdraft and short term borrowings (repayable within 5 years)	141	132
Finance leases	<u>97</u>	<u>73</u>
	375	552
	<u> </u>	<u> </u>

5 TAXATION

	<u>1995</u> £'000	<u>1994</u> £'000
Taxation charge/(credit) in respect of the current period:		
UK corporation tax at 33%	606	444
Deferred taxation	<u>(9)</u>	<u>(58)</u>
	597	386
Adjustment re prior periods:		
Current taxation - net release of prior year provisions	<u>(107)</u>	<u>(45)</u>
	490	341
	<u> </u>	<u> </u>

6 DIVIDENDS

	<u>1995</u> £'000	<u>1994</u> £'000
First interim paid: 70p (1994 - 14p)	249	50
Second interim paid: 50p (1994 - 59.8p)	178	213
Third interim paid: 43.74p (1994 - nil)	156	-
Final paid: 80p (1994 - 18.28p)	284	65
Final proposed: 28.11p (1994 - nil)	<u>100</u>	<u>-</u>
	967	328
	<u> </u>	<u> </u>

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

7 TANGIBLE ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Moulds £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
<u>Cost or valuation</u>						
At 1 January 1995	3,142	9,728	5,167	2,039	941	21,017
Additions	15	611	841	371	80	1,918
Disposals	—	—	—	—	(104)	(104)
At 31 December 1995	3,157	10,339	6,008	2,410	917	22,831
<u>Accumulated depreciation</u>						
At 1 January 1995	58	8,019	4,005	1,525	601	14,208
Charge for the year	29	528	612	163	133	1,465
Disposals	—	—	—	—	(96)	(96)
At 31 December 1995	87	8,547	4,617	1,688	638	15,577
<u>Net book amount</u>						
At 31 December 1995	<u>3,070</u>	<u>1,792</u>	<u>1,391</u>	<u>722</u>	<u>279</u>	<u>7,254</u>
At 1 January 1995	<u>3,084</u>	<u>1,709</u>	<u>1,162</u>	<u>514</u>	<u>340</u>	<u>6,809</u>
Net book amount of leased assets included in the above						
- at 31 December 1995	-	705	-	211	195	1,111
- at 1 January 1995	-	557	-	162	261	980

The company's freehold properties were revalued by messrs. Knight Frank & Rutley as at 31 December 1992. The basis of the valuation was open market for existing use. The revalued amount of £3,100,000 has been reflected in these accounts.

At 31 December 1995 the company had capital commitments of £379,728 (1994 - £296,347).

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

8 INTANGIBLE ASSETS

	<u>1995</u> £'000	<u>1994</u> £'000
Intellectual property rights, at cost	178	178
Development expenditure capitalised, at cost	<u>32</u>	<u>-</u>
	210	178
	<u> </u>	<u> </u>

9 STOCKS

	<u>1995</u> £'000	<u>1994</u> £'000
Raw materials and packaging	1,448	1,285
Work in progress	401	415
Finished goods	<u>2,566</u>	<u>3,035</u>
	4,415	4,735
	<u> </u>	<u> </u>

10 DEBTORS

	<u>1995</u> £'000	<u>1994</u> £'000
Trade debtors	4,937	5,143
Amounts owed by parent undertaking	59	-
Other debtors	194	95
Prepayments and accrued income	<u>341</u>	<u>365</u>
	5,531	5,603
	<u> </u>	<u> </u>

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

11 CREDITORS (amounts falling due within one year)

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Bank overdraft and short term borrowings	313	1,750
Trade creditors	3,168	3,827
Long term loan (current portion)	-	317
Amounts owed to parent undertaking	-	109
Amounts owed to group undertakings	326	76
Other creditors	102	90
Corporation tax	711	686
Taxation and social security	349	578
Accruals and deferred income	1,049	1,279
Dividend payable	100	-
Hire purchase obligations	189	226
Finance lease obligations	<u>142</u>	<u>99</u>
	<u>6,449</u>	<u>9,037</u>

The bank overdraft and short term borrowings are secured by a floating charge over the assets excluding premises of the company.

12 CREDITORS (amounts falling due after more than one year)

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Obligations under finance leases	371	171
Obligations under hire purchase contracts	223	397
Amount owed to parent undertaking	5,000	-
Long term loan	<u>-</u>	<u>2,856</u>
	<u>5,594</u>	<u>3,424</u>

The obligations under finance leases and hire purchase contracts are due as follows:

	<u>Finance leases</u>	<u>Hire purchase contracts</u>
	£'000	£'000
- between 1 - 2 years	144	122
- between 2 - 5 years	<u>227</u>	<u>101</u>
	<u>371</u>	<u>223</u>

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

12 CREDITORS (amounts falling due after more than one year) (continued)

The long term loan was repaid in full during 1995 prior to which it was repayable as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
- between 1 - 2 years	-	317
- between 2 - 5 years	-	952
- after 5 years	<u>-</u>	<u>1,587</u>
	-	2,856
	<u>-</u>	<u>-</u>

13 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts comprises:

	<u>1995</u> £'000	<u>1994</u> £'000
Accelerated tax depreciation	101	144
Other timing differences	<u>42</u>	<u>8</u>
	143	152
	<u>-</u>	<u>-</u>

The provision made represents the full potential liability of the company at 33% (1994: 33%) being the rate anticipated to apply at the time the differences are likely to reverse.

No taxation has been provided in respect of the chargeable gain that would arise if the land and buildings were disposed of at the revalued amounts included in the accounts.

14 SHARE CAPITAL

	<u>1995</u> £'000	<u>1994</u> £'000
Authorised:		
600,000 Ordinary shares (1994:600,000) of £1 each	<u>600</u>	<u>600</u>
Issued and fully paid:		
355,750 Ordinary shares (1994:355,750) of £1 each	<u>356</u>	<u>356</u>

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1995</u> £'000	<u>1994</u> £'000
Profit for the financial year	1,215	868
Dividends	<u>(967)</u>	<u>(328)</u>
	248	540
Opening shareholders' funds	<u>5,164</u>	<u>4,624</u>
Closing shareholders' funds	<u>5,412</u>	<u>5,164</u>

Revaluation reserve

The company's freehold properties were revalued as at 31 December 1992. The revaluation reserve reflects the result of this valuation.

16 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<u>1995</u> £'000	<u>1994</u> £'000
Operating profit	2,080	1,761
Depreciation	1,443	1,385
(Profit) on disposal of fixed assets	(24)	(49)
Decrease/(Increase) in stocks	320	(486)
Decrease/(Increase) in debtors	72	(816)
(Decrease)/Increase in creditors	<u>(1,001)</u>	<u>1,564</u>
	2,890	3,359

(b) Analysis of changes in cash and cash equivalents during the year

	£'000	£'000
Balance at 1 January 1995	(1,298)	(1,955)
Net cash inflow	<u>1,173</u>	<u>657</u>
Balance at 31 December 1995	<u>(125)</u>	<u>(1,298)</u>

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

16 NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	31 December 1995 £'000	1 January 1995 £'000	Change in year £'000
Cash at bank and in hand	188	452	(264)
Bank overdraft and short term borrowings	<u>(313)</u>	<u>(1,750)</u>	<u>1,437</u>
	(125)	(1,298)	1,173
	<u>=====</u>	<u>=====</u>	<u>=====</u>

(d) Analysis of changes in financing during the year

	Loans and finance lease obligations £'000
Balance at 1 January 1995	4,066
Loan received from parent undertaking	5,000
Long term loan repayment	(3,173)
New finance lease contracts	429
Capital element of finance lease repayments	<u>(397)</u>
Balance at 31 December	<u>5,925</u>

17 EMPLOYEES

The average number of persons employed by the company during the year was 564 (1994: 530)

18 PENSION COSTS

The company operates a non contributory defined benefit pension scheme in respect of eligible employees. Contributions are paid by the company to the scheme in accordance with the recommendation of independent qualified actuaries using the aggregate method. The latest actuarial valuation was at 20 March 1994. The main assumptions used were that salaries would increase at 8% p.a., the value of the existing assets and the future contributions made to the scheme would increase at 9% p.a, pensions at retirement would be bought using annuity rates consistent with a long-term interest rate of 9% p.a. and price inflation would be at 5½% p.a.

As at 20 March 1995 the level of funding was 151%. The market value of the scheme's assets was £1,613,144.

In addition the company has a small amount of unfunded pension liabilities to former employees.

CANNON RUBBER LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

18 PENSION COSTS (continued)

Contributions to the pension scheme together with payment of the unfunded liabilities are charged to the profit and loss account as they become due.

This is not in accordance with the requirements of Statement of Standard Accounting Practice No 24 but, based upon the results of the most recent actuarial valuation, the effect of this is not material in relation to the pension cost charged in the profit and loss account.

During 1994 an executive pension scheme was set up for the benefit of a director.

19 CONTINGENT LIABILITIES

Cannon Rubber Limited has guaranteed the bank facilities granted to its fellow subsidiaries Cannon Rubber Singapore (Private) Limited to the extent of Singapore \$1,000,000 and Cannon Rubber GmbH to the extent of Dm. 100,000.

At 31 December 1995 the liability under these guarantees amounted to £Nil (1994 - £106,262).

20 PARENT UNDERTAKING

Cannon Rubber Limited is a wholly owned subsidiary of CR Holdings PLC, a company incorporated in England, the registered office address of which is Ashley Road, Tottenham, London N17 9LH.