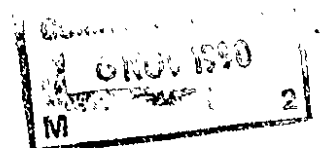


SILVERTOWN RUBBER COMPANY LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 1989



SILVERTOWN RUBBER COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited Accounts of the Company for the year ended 31 December 1989.

PRINCIPAL ACTIVITIES

The Company is engaged in the transportation and engineering industries and in design and production of products associated with polymeric materials. Company development has been satisfactory and is expected to continue to be so.

RESULTS FOR THE PERIOD

The Company's profit for the year after taxation was £5,653,000 (1988: £5,789,000). The Directors recommend that £5,900,000 (1988: £10,000,000) be distributed by way of a dividend, leaving £247,000 (1988: £4,211,000) to be distributed from opening reserves.

DIRECTORS

The Directors of the Company during the year were:

J. D. M. Smith
C. R. H. Bull

DIRECTORS' INTERESTS

No Directors have any interest in the shares of the Company.

Messrs C. R. H. Bull and J. D. M. Smith are Directors of BTR plc, the ultimate holding company, and their interests in the shares, warrants and options to purchase shares of that Company are disclosed in its accounts.

SHAREHOLDERS' INTERESTS

All the shares of the Company are held by BTR plc and its nominees.

DISABLED PERSONS

It is the policy of the Company to encourage the employment, training and advancement of disabled persons.

SILVERTOWN RUBBER COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)

EMPLOYEE INVOLVEMENT

Throughout the Company consultative procedures are in operation to enable management and other employees to discuss matters of mutual interest. The Company encourages the involvement of employees, and their participation in BTR plc's SAYE share option scheme. Details of the options granted and exercised appear in the Report and Accounts of the ultimate holding company.

AUDITORS

During the year Messrs Deloitte Haskins and Sells tendered their resignation as auditors to the company and Messrs Ernst and Young were appointed in their stead to hold office until the conclusion of the 1990 Annual General Meeting. Ernst and Young have expressed their willingness to continue in office and a resolution proposing their reappointment will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



Per pro BTR Secretaries Limited, Secretary
Silvertown House
Vincent Square
London
SW1P 2PL

13 March 1990

SILVERTOWN RUBBER COMPANY LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF THE SILVERTOWN RUBBER COMPANY LIMITED

We have audited the accounts on pages 4 to 16 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
London

13 March 1990

SILVERTOWN RUBBER COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Turnover	2	60,725	60,740
Net Operating Expenses	3	(53,386)	(53,307)
	2	7,339.	7,433
Investment Income	5	861	809
Trading Profit before interest and taxation		8,200	8,242
Other Income	7	4	21
Profit on ordinary activities before taxation		8,204	8,263
Taxation	6	(2,551)	(2,474)
Profit on ordinary activities after taxation		5,653	5,789
Dividends	8	(5,900)	(10,000)
Retained (Loss)		(247)	(4,211)

Movements on reserves are shown in Note 18.

SILVERTOWN RUBBER COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	9	9,937	9,659
Investments	10	10,241	9,992
		<hr/>	<hr/>
		20,178	19,651
CURRENT ASSETS			
Inventories or Stocks	12	9,674	9,202
Debtors	13	88,331	80,678
Cash at bank and in hand		1,651	1,585
		<hr/>	<hr/>
		99,656	91,465
CREDITORS: amounts falling due within one year	14	(96,139)	(87,202)
		<hr/>	<hr/>
NET CURRENT ASSETS		3,517	4,263
		<hr/>	<hr/>
NET ASSETS LESS CURRENT LIABILITIES		23,695	23,914
CREDITORS: amounts falling due after more than one year	15	(2,489)	(2,737)
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	16	(103)	(76)
		<hr/>	<hr/>
		21,103	21,101
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	17	1	1
Revaluation reserve	18	6,149	5,701
Profit and loss account	18	14,953	15,399
		<hr/>	<hr/>
		21,103	21,101
		<hr/>	<hr/>

.....
J D M SMITH

.....
C R H-BULL

} DIRECTORS

Approved by the Board on 13 March 1990

SILVERTOWN RUBBER COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	8,204	8,263
Items not involving the movement of funds:		
Depreciation - charge for the year	1,919	1,753
Profit on disposal of fixed assets	(19)	(84)
Release of provisions	(30)	-
	<hr/> 10,074	<hr/> 9,932
FUNDS GENERATED FROM OPERATIONS		
Proceeds from disposal of tangible fixed assets	113	326
	<hr/>	<hr/>
TOTAL SOURCE OF FUNDS	<hr/> 10,187	<hr/> 10,258
APPLICATION OF FUNDS		
Purchase of tangible fixed assets - external	2,261	3,508
- group transfers	30	6
Tax paid	487	203
Dividends paid	10,000	3,500
	<hr/>	<hr/>
TOTAL APPLICATION OF FUNDS	<hr/> 12,778	<hr/> 7,217
	<hr/> (2,591)	<hr/> 3,041
(DECREASE)/INCREASE IN WORKING CAPITAL	<hr/>	<hr/>
Stocks	472	552
Debtors	7,653	4,050
Creditors	(10,782)	(1,515)
	<hr/>	<hr/>
	(2,657)	3,087
Movements in net liquid funds:		
Cash at bank and in hand	66	(46)
	<hr/>	<hr/>
	(2,591)	3,041
	<hr/>	<hr/>

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1989

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared using the historical cost convention, modified to include the revaluation of certain tangible fixed assets and investments in subsidiary companies.

b) Turnover

Turnover represents the amount invoiced, excluding value added tax, in respect of the sale of goods by the Company.

c) Depreciation of Tangible Fixed Assets

Tangible fixed assets, with the exception of freehold land, are depreciated over their estimated useful lives at the following rates applied to original cost or subsequent valuation.

Buildings	2 - 8%
Plant and Machinery	8 - 35%

d) Inventories or Stocks

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials and an appropriate proportion of labour and overheads in the case of work in progress and finished goods. Provision is made for obsolete and slow moving items.

e) Deferred Taxation

Provision for deferred taxation is made for liabilities which may arise in the foreseeable future.

f) Foreign Currencies

All assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the balance sheet date. All foreign currency transactions entered into during the year are translated at the rate prevailing on the date of the transaction. Currency differences are included in profit before taxation.

g) Pension Costs

The expected costs of pensions are charged to the profit and loss account so as to spread the costs over the service lives of the participating employees. The costs are assessed in accordance with the advice of qualified actuaries.

SILVERTOWN RUBBER COMPANY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

1. ACCOUNTING POLICIES (Continued)

h) Research and Development

Research and development expenditure is generally expensed as incurred, except where a major project is undertaken and it is reasonably anticipated that certain expenditure will be recovered through future commercial development.

i) Investment in Subsidiaries and Related Companies

The investments in subsidiaries and related companies are revalued to their net asset value at the end of each financial year. The revaluation is taken to the revaluation surplus reserve, except where it reduces the value below cost where the difference is charged to profit and loss.

2. TURNOVER AND OPERATING PROFIT

Class of Business

	<u>Turnover</u>		<u>Operating Profit</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Industrial	13,540	13,737	1,748	1,590
Consumer Related	7,501	7,564	1,296	1,331
Transportation	39,684	39,439	4,295	4,512
	<u>60,725</u>	<u>60,740</u>	<u>7,339</u>	<u>7,433</u>
	=====	=====	=====	=====

Geographical Analysis

Europe	<u>60,725</u>	<u>60,740</u>	<u>7,339</u>	<u>7,433</u>
	=====	=====	=====	=====

The above figures include a re-statement of 1988 results due to a reclassification of certain operations.

3. NET OPERATING EXPENSES

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Changes in stocks of finished goods and work in progress	(357)	(305)
Raw materials and consumables	24,490	25,345
Employee costs	15,917	15,432
Depreciation - tangible assets	1,919	1,753
Other operating charges	11,417	11,082
	<u>53,386</u>	<u>53,307</u>
	=====	=====

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

3. NET OPERATING EXPENSES (Continued)

	<u>1989</u> £000	<u>1988</u> £000
--	---------------------	---------------------

Other operating charges are
stated after charging:

Auditors remuneration	102	105
Operating lease rentals:		
Plant and machinery	69	63
Others	827	509

During the year expenditure on the development of new products and processes amounted to £942,000 (1988 £795,000) which has been charged in the profit and loss account.

4. DIRECTORS AND EMPLOYEES

	<u>Number</u>	<u>Number</u>
--	---------------	---------------

The average number of persons
employed by the company during
the year:

Europe	1,485 =====	1,550 =====
--------	----------------	----------------

EMPLOYMENT COSTS

Wages and salaries	14,626	14,145
Social security costs	1,201	1,237

Other pension costs	90	50
---------------------	----	----

15,917 =====	15,432 =====
-----------------	-----------------

Number of UK employees in
receipt of emoluments within the
range:

£30,001 - £35,000	2	2
£35,001 - £40,000	-	2
£40,001 - £45,000	1	-
	==	==

The Directors received no fees or other emoluments from Silvertown Rubber Company Limited for the year ended 31 December 1989.

SILVERTOWN RUBBER COMPANY LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)**

5.	<u>INVESTMENT INCOME</u>	<u>1989</u> <u>£'000</u>	<u>1988</u> <u>£'000</u>	
	Dividends from subsidiary companies	800	800	
	Dividends receivable from related companies	53	-	
	Realised currency gain	8	9	
		<hr/>	<hr/>	
		861	809	
		<hr/>	<hr/>	
6.	<u>TAXATION</u>			
	United Kingdom corporation tax at 35% (1988 - 35%)	(2,489)	(2,692)	
	Foreign tax	(5)	-	
	Deferred tax	(57)	218	
		<hr/>	<hr/>	
		(2,551)	(2,474)	
		<hr/>	<hr/>	
7.	<u>OTHER INCOME</u>			
	Interest receivable	4	21	
		<hr/>	<hr/>	
		4	21	
		<hr/>	<hr/>	
8.	<u>DIVIDENDS</u>			
	Proposed dividend	5,900	10,000	
		<hr/>	<hr/>	
9.	<u>TANGIBLE FIXED ASSETS</u>	<u>Freehold</u> <u>Buildings</u> <u>£'000</u>	<u>Plant and</u> <u>Machinery</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
	COST OR VALUATION			
	At 31 December 1988	-	16,920	16,920
	Additions	50	2,211	2,261
	Group transfers	-	110	110
	Disposals	-	(381)	(381)
		<hr/>	<hr/>	<hr/>
	At 31 December 1989	50	18,860	18,910

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

9. <u>TANGIBLE FIXED ASSETS</u> (Continued)	Freehold Buildings £'000	Plant and Machinery £'000	Total £'000
ACCUMULATED DEPRECIATION			
At 31 December 1988	-	7,261	7,261
Net charge for the year	4	1,915	1,919
Group transfers	-	80	80
Disposals	-	(287)	(287)
	<hr/>	<hr/>	<hr/>
At 31 December 1989	4	8,969	8,973
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1989	46	9,891	9,937
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1988	-	9,659	9,659
	<hr/>	<hr/>	<hr/>
Cost	50	14,909	14,959
Valuation: 1982	-	3,951	3,951
	<hr/>	<hr/>	<hr/>
	50	18,860	18,910
Accumulated depreciation	4	8,969	8,973
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1989	46	9,891	9,937
	<hr/>	<hr/>	<hr/>

10. <u>INVESTMENTS</u>	Subsidiary Companies £'000	Related Company £'000	Total £'000
Cost or valuation			
At 31 December 1988	9,931	61	9,992
Write back of provision	229	20	249
	<hr/>	<hr/>	<hr/>
At 31 December 1989	10,160	81	10,241
	<hr/>	<hr/>	<hr/>

The principal subsidiaries of the Company are:

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

10. INVESTMENTS (Continued)

<u>Name</u>	<u>Class of Shares</u>	<u>% Held</u>
Dunlop Hi-Flex Distribution Ltd	Ordinary	100
BTR Group Transport Ltd	Ordinary	100
Greengate & Irwell Ltd	Ordinary & Deferred	100
PB Cow and Company Ltd	Ordinary & Deferred	100

All the above companies are incorporated in Great Britain.

Group accounts have not been prepared as the Company is the wholly owned subsidiary of BTR plc, which is incorporated in Great Britain.

Shares in subsidiaries are valued on a company by company basis by reference to the net assets of the companies. Surpluses arising on the revaluation of investments are taken to reserves. In the opinion of the Directors, the value of the Company's interests in the subsidiaries is not less than the amount at which it is stated in the balance sheet.

Related Company

The Company owns 50% of the issued capital of Beaufort Air-Sea Equipment Canada Limited (incorporated in Canada). The Directors consider that the value of this investment is not less than its cost to the Company of £81,000.

11a. CAPITAL COMMITMENTS

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Capital expenditure commitments:		
Authorised but not contracted	251	226
Contracted	724	729

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

11b. OPERATING LEASE COMMITMENTS

Commitments for rentals payable under operating leases in 1990 expiring:

	<u>1989</u>		<u>1988</u>	
	<u>Land & Buildings</u>	<u>Other</u>	<u>Land & Buildings</u>	<u>Other</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Within one year	-	3	-	236
Between 1 and 5 years	694	46	525	39
After 5 years	133	9	176	4
	<u>827</u>	<u>58</u>	<u>701</u>	<u>279</u>
	=====	=====	=====	=====

12. INVENTORIES OR STOCKS

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Raw materials	4,307	3,384
Work in progress	1,780	2,583
Finished goods	3,587	3,235
	<u>9,674</u>	<u>9,202</u>
	=====	=====
Replacement cost	<u>9,905</u>	<u>9,394</u>
	=====	=====

13. DEBTORS

Trade debtors	10,698	10,950
Amounts due from subsidiary companies	21,110	18,103
Amounts due from fellow subsidiaries	54,620	49,817
Other debtors and prepayments	1,903	1,808
	<u>88,331</u>	<u>80,678</u>
	=====	=====

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

	<u>1989</u>	<u>1988</u>
14. <u>CREDITORS</u> : Amounts due within one year		
Trade creditors	7,349	7,125
Amounts due to subsidiary companies	-	104
Amounts due to fellow subsidiaries	42,437	41,776
Amounts due to Holding Company	30,000	20,000
Corporation tax	8,442	6,229
Other taxation and social security payable	612	656
Dividends payable	5,900	10,000
Other creditors	406	497
Accruals and deferred income	993	815
	<u>96,139</u>	<u>87,202</u>

15. CREDITORS: Amounts due after one year

Trade creditors	-	42
Corporation tax	2,489	2,695
	<u>2,489</u>	<u>2,737</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Provisions</u>	<u>Deferred</u>	<u>Total</u>
	<u>£'000</u>	<u>Tax</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 31 December 1988	30	46	76
Transfer to profit and loss account	(30)	57	27
At 31 December 1989	-	103	103

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

The major components of the provision for deferred taxation and the potential liability which is not considered will become payable in the foreseeable future are as follows:

	<u>Provided</u>		<u>Potential Liability</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Accelerated capital allowances	32	32	1,502	1,554
Other timing differences	71	14	143	110
	103	46	1,645	1,664

17. SHARE CAPITAL

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Authorised, allotted, called up fully paid ordinary shares of £1 each	<u>1</u>	<u>1</u>

18. RESERVES

	<u>Revaluation</u>	<u>Profit & Loss Account</u>
	<u>£'000</u>	<u>£'000</u>
At 31 December 1988	5,701	15,399
Retained loss for the period	-	(247)
Revaluation of investments	249	-
Transfer	199	(199)
	<u>6,149</u>	<u>14,953</u>

SILVERTOWN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (Continued)

19. PENSION ARRANGEMENTS

The UK employees of the Silvertown Rubber Company Limited are eligible for membership of the BTR plc Group Pension Scheme. This is a funded defined benefit scheme and contributions are made, and expensed in accordance with the recommendation of an independent actuary.

An independent valuation of the scheme was performed by the actuaries as at 6 April 1988, and was updated by them to reflect the introduction of SSAP24 with effect from 1 January 1989. The actuarial surplus identified is being spread over the average remaining service life of current employees (estimated at 15 years). Further details of the valuation are included in the accounts of BTR plc.

20. CONTINGENT LIABILITIES

The Company has cross guarantee arrangements guaranteeing the bank overdrafts of certain other BTR group companies.

21. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is BTR plc, a company incorporated in Great Britain.

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