

Cannon Avent Group PLC And Its Subsidiaries

Directors' Report And Financial Statements

For The 52 Weeks Ended 2 January 2000

Registered Number: 2437245



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Cannon Avent Group PLC and its Subsidiaries

Directors' Report For The 52 Weeks Ended 2 January 2000

The directors present their report together with the accounts for the year ended 2 January 2000.

Results

The results for the year and transfer to reserves of £3,472,000 (1998: £2,787,000) are set out in the consolidated profit and loss account on page 5.

For the year ended 2 January 2000 an interim dividend of 125p per ordinary share was paid on 9 July 1999. A final dividend of 475p per ordinary share was proposed for payment on 11 February 2000.

The terms under which the 'A' ordinary shares were issued entitle the holder to a dividend of 393.53p per share per annum payable at six monthly intervals. These dividends were paid on 1 April and 1 October 1999. Provision for the dividend accrual for the period 1 October to 2 January 2000 and a further participating dividend based on the 1999 profit before tax have been made in these accounts.

Principal Activities And Review Of The Business

The principal activity of the company is that of an investment holding company. The principal activities of the company's subsidiary undertakings are those of the creation, design, manufacture and marketing of baby consumer products and motor accessories.

1999 saw the group record another strong trading performance.

Turnover increased by 14.1 per cent to £61.4m, of which 63 per cent was sold overseas. Operating profit, at £9.4m, was 35.4 per cent up on the previous year and net operating margins improved by 19.4 per cent to 15.4 per cent of turnover. Profit before tax advanced by 37.3 per cent to £9.3m. Shareholders' funds increased by 19.5 per cent to £21.6m.

The first quarter of 2000 has been most encouraging with the baby business performing particularly well. We are confident that 2000 will show further growth in our business.

Directors

The directors of the company during the year and their family shareholdings at 2 January 2000 and 3 January 1999 were as follows:

	<u>£1 ordinary shares</u>	
	<u>2 January 2000</u>	<u>3 January 1999</u>
E Atkin	173,562	173,562
Mrs CJ Atkin	101,643	101,643
B Gold	-	-
B Jones	-	-
A. Conway	-	-
J Holloway (deceased 16/08/99)	-	-

In addition to the above, at 2 January 2000 and 3 January 1999 B Gold and E Atkin held 74,500 shares as trustees for E Atkin's children.

Cannon Avent Group PLC and its Subsidiaries

Directors' Report For The 52 Weeks Ended 2 January 2000 (Continued)

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 group and company as at the end of the financial year and of the group's profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 23, the group and company have 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 group and company keep accounting records which disclose with reasonable accuracy the financial position of the group and company and which enable them to ensure that the financial statements comply with the Companies Act 1985. This responsibility extends to the preparation of accounts on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Employees

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

It is the group'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.

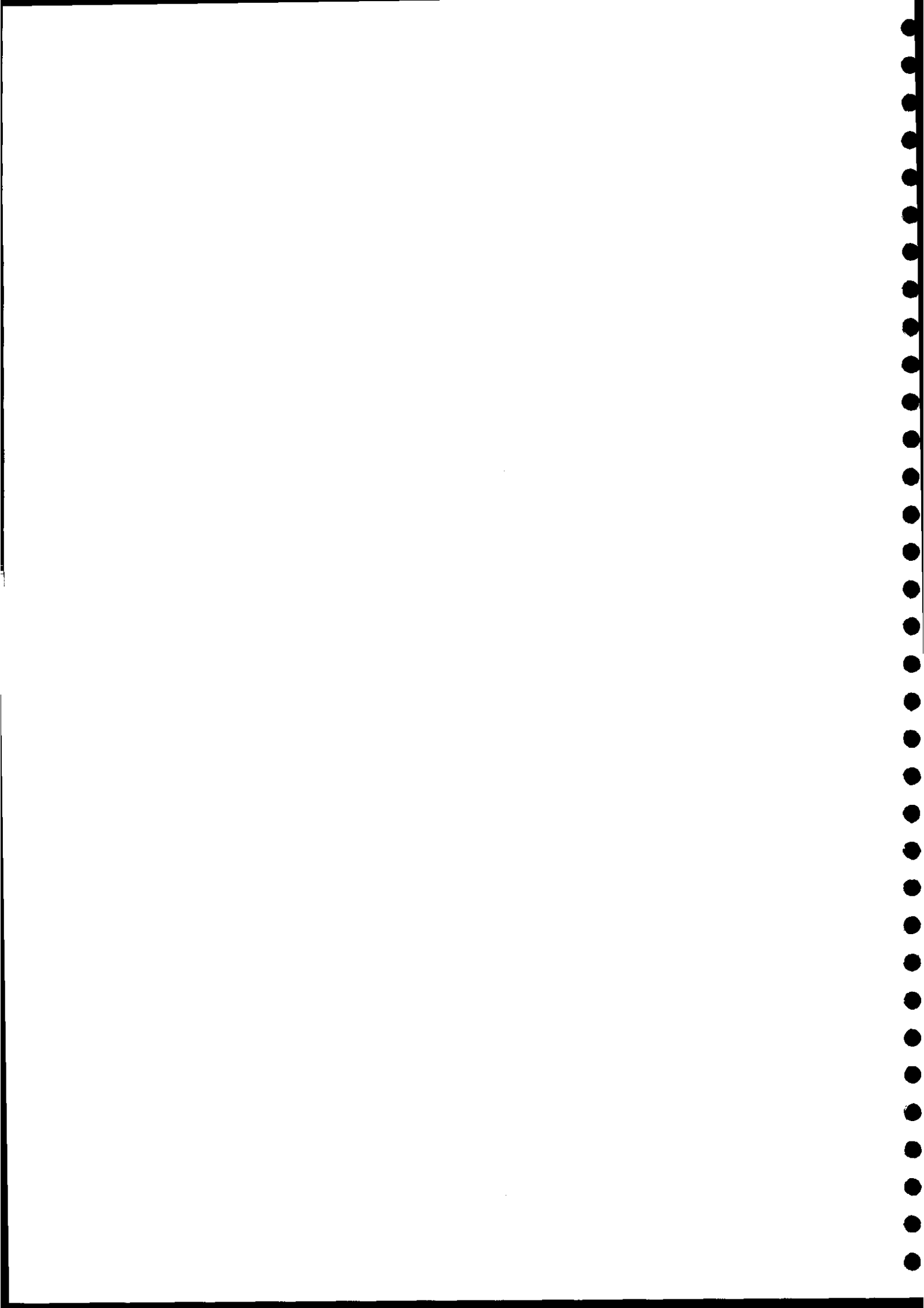
Wherever possible, the group will continue the employment of persons who become disabled during the course of their employment including, if appropriate, the provision of suitable alternative employment.

Environmental Issues

The group 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.

Creditor Payment Policy And Practice

For all trade creditors, it is the group's policy to agree the terms of payment at the start of business with the supplier, ensure that suppliers are aware of the terms of payment and pay in accordance with the terms agreed. The average number of days in which the group paid its trade creditors was 61 days (1998: 55 days)



Cannon Avent Group PLC and its Subsidiaries

Directors' Report For The 52 Weeks Ended 2 January 2000 (Continued)

Research and Development

The group has continued to invest in and devote resources to developing and improving new products and processes.

Year 2000

The cost of replacing or upgrading the group's systems and associated hardware together with other related Year 2000 costs amounted to £250,000. Further expenditure incurred in 1999 has not been significant.

To date there have been no significant problems arising as a result of Year 2000 issues.

Charitable Donations

Charitable donations made during the year totalled £11,940 (1998: £10,982).

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



M. Johnston
Secretary

Ashley Road
London N17 9LH

28 April 2000

Auditors' Report To The Members Of Cannon Avent Group PLC

We have audited the financial statements on pages 5 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for the preparation of financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

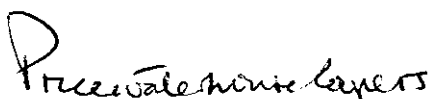
Basis of audit opinion

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 judgements 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 affairs of the company and the group at 2 January 2000 and the profit and cash flows of the group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

28 April 2000

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PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cannon Avent Group PLC and its Subsidiaries

Consolidated Profit And Loss Account For The 52 Weeks Ended 2 January 2000

	Note	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Turnover	1,2	61,439	53,862
Cost of sales		(33,389)	(31,814)
Gross Profit		28,050	22,048
Distribution costs		(1,313)	(1,063)
Administrative expenses		(17,141)	(14,042)
Other operating (expense)/income		(160)	29
Operating Profit	3	9,436	6,972
Interest receivable and similar income	4	64	38
Interest payable and similar charges	5	(176)	(207)
Profit On Ordinary Activities Before Taxation		9,324	6,803
Taxation	6	(2,781)	(2,171)
Profit On Ordinary Activities After Taxation		6,543	4,632
Dividends (equity and non-equity), including participating dividend	7	(3,085)	(1,845)
Retained Profit For The Year	19	3,458	2,787

All of the above results derive from the continuing operations of the group.

There is no material difference between the results on an unmodified historical cost basis and those presented above.

Statement Of Total Recognised Gains And Losses For The 52 Weeks Ended 2 January 2000

	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Profit for the financial year	6,543	4,632
Currency translation differences	55	52
Total gains recognised since last annual report	6,598	4,684

The notes on pages 9 to 23 form an integral part of these accounts.

Cannon Avent Group PLC and its Subsidiaries

Consolidated Balance Sheet – As At 2 January 2000

	Note	2 January 2000		3 January 1999	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	9		160		169
Tangible assets	8		17,569		11,792
Current Assets					
Stocks	11	6,587		5,981	
Debtors	12	12,980		11,177	
Cash at bank and in hand		2,252		2,201	
		21,819		19,359	
Creditors (amounts falling due within one year)	13	(17,131)		(11,814)	
Net Current Assets			4,688		7,545
Total Assets Less Current Liabilities			22,417		19,506
Creditors (amounts falling due after more than one year)	14		(337)		(788)
Provisions For Liabilities And Charges					
Deferred taxation	15		(464)		(629)
			21,616		18,089
Capital And Reserves					
Called up share capital (equity and non-equity)	16		471		457
Share premium account	17		4,899		4,899
Revaluation reserve	19		1,933		1,926
Profit and loss account	19		14,313		10,807
Shareholders' Funds	20		21,616		18,089

Approved by the Board on 28 April 2000


E Atkin
Director

The notes on pages 9 to 23 form an integral part of these accounts.

Cannon Avent Group PLC and its Subsidiaries

Company Balance Sheet – As At 2 January 2000

	Note	2 January 2000		3 January 1999	
		£'000	£'000	£'000	£'000
Fixed Assets					
Investments	10		5,376		5,362
Current Assets					
Debtors	12	2,415		1,341	
Cash at bank		1		1	
		2,416		1,342	
Creditors (amounts falling due within one year)	13	(2,362)		(1,202)	
Net Current Assets			54		140
Total Assets Less Current Liabilities			5,430		5,502
Capital And Reserves					
Called up share capital (equity and non-equity)	16		471		457
Share premium account	17		4,899		4,899
Profit and loss account	19		60		146
Shareholders' Funds			5,430		5,502

Approved by the Board on 28 April 2000


 E Atkin
 Director

The notes on pages 9 to 23 form an integral part of these accounts.

Cannon Avent Group PLC and its Subsidiaries

Consolidated Cash Flow Statement For The 52 Weeks Ended 2 January 2000

	<i>Note</i>	52 weeks ended 2 January 2000 £'000	53 weeks ended 3 January 1999 £'000
Net cash inflow from operating activities	21(a)	10,886	9,858
Servicing of finance			
Interest received		65	37
Interest paid		(90)	(196)
Interest element of finance lease rental payments		(77)	(112)
Dividends paid on non-equity shares		(689)	(400)
Net cash outflow from servicing of finance		(791)	(671)
Taxation			
Corporation tax paid		(3,317)	(1,838)
Investing activities			
Payments to acquire tangible fixed assets		(8,146)	(2,795)
Receipts on sale of fixed assets		46	73
		(8,100)	(2,722)
Equity dividends paid		(1,245)	(977)
Management of liquid resources			
Sale/(Purchase) of short term deposits		1,570	(928)
Net cash (outflow)/inflow before financing		(997)	2,722
Financing			
Capital element of finance lease repayments and hire purchase payments		(613)	(605)
Net cash outflow from financing		(613)	(605)
(Decrease)/Increase in cash	21(b)	(1,610)	2,117

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts – 2 January 2000

1 Accounting Policies

a) 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.

b) Consolidated accounts

The accounts consolidate the financial statements of the company and its subsidiaries.

c) Turnover

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

d) Depreciation and amortisation

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
Short leasehold land and buildings	- over the life of the lease
Plant and machinery	- 15% on cost
Office furniture, fittings and equipment	- 12½ - 20% on cost
Motor vehicles	- 25% on cost
Moulds	- 20-25% on cost

Intangible fixed assets are being amortised over a period of 20 years, being their estimated useful life, on a straight-line basis.

e) 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.

f) 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 expected 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 where such disposal is not expected in the foreseeable future.

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

1 Accounting Policies (Continued)

g) 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.

Payments under operating leases are charged to the profit and loss account in the periods to which they relate.

h) Rates of exchange

The accounts of overseas subsidiaries have been incorporated into the consolidated accounts by translating foreign currency denominated assets, liabilities and transactions into sterling at the rates of exchange ruling at the balance sheet date. Exchange adjustments arising on translation are taken direct to reserves.

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 ruling at that date. Differences in exchange on such items are dealt with in the profit and loss account.

i) 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.

j) Pension Costs

All payments made to the pension schemes of the Company's UK subsidiary are charged to the profit and loss account in the year they are incurred.

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

2 Segmental Information

The geographical analysis of the group's turnover by destination is as follows:

	1999 £'000	1998 £'000
Geographical market:		
United Kingdom	22,768	23,601
Rest of the world	38,671	30,261
	61,439	53,862

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 group.

3 Operating Profit

	1999 £'000	1998 £'000
Operating profit is stated after charging/(crediting):		
Staff costs (excluding directors' emoluments):		
Wages and salaries	14,044	13,177
Social security costs	1,358	1,280
Other pension costs	375	291
Depreciation and amortisation		
- owned assets and leasehold buildings	2,116	1,844
- leased assets excluding leasehold building	420	427
Hire of plant and machinery	105	158
Auditors' remuneration - audit	51	50
- other	73	85
Loss/(profit) on sale of fixed assets	10	(59)
Foreign exchange loss/(gains)	163	(29)
Research and development expenditure – expensed	28	41
- amortised	-	62

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

3 Operating Profit (Continued)

Directors' emoluments

The emoluments of directors, were as follows:

	1999 £'000	1998 £'000
Aggregate emoluments	486	414
Aggregate amounts paid to money purchase schemes	304	251
	<hr/> 790	<hr/> 665

The emoluments of the highest paid director, were as follows:

	1999 £'000	1998 £'000
Total amount of emoluments	180	174
Amount of contributions paid to money purchase pension schemes	209	200

The number of directors to whom retirement benefits are accruing is as follows:

	1999 Number	1998 Number
In respect of money purchase schemes	3	3

Although B Gold received no fees for his services as a director of the company, Gold, Mann & Co, a firm in which he is a partner received fees of £79,152 (1998: £53,981) for services provided to Cannon Avent Group PLC and its subsidiaries during the year.

4 Interest Receivable And Similar Income

	1999 £'000	1998 £'000
Bank deposits	54	38
Other	10	-
	<hr/> 64	<hr/> 38

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

5 Interest Payable And Similar Charges

	1999 £'000	1998 £'000
<i>Interest payable is in respect of:</i>		
Bank overdrafts and short term borrowings (repayable within 5 years)	86	89
Finance leases	76	111
Other	14	7
	176	207

6 Taxation

	1999 £'000	1998 £'000
<i>Taxation charge/(credit) in respect of the current period:</i>		
UK corporation tax at 30.25% (1998: 31%)	2,134	1,847
Overseas tax	833	456
UK deferred taxation		
- timing differences	199	98
- change in tax rate	-	(7)
Overseas deferred taxation	(318)	8
	2,848	2,402
<i>Adjustment of taxation in respect of</i>		
<i>Prior periods for UK and foreign taxes:</i>		
Current taxation	(21)	(222)
Deferred Taxation	(46)	(9)
	2,781	2,171

7 Dividends

	1999 £'000	1998 £'000
<i>Equity:</i>		
Ordinary shares of £1 each		
Interim paid: 125p - (1998: 100p)	445	356
Final proposed: 475p - (1998: 225p)	1,690	800
	2,135	1,156
<i>Non-equity:</i>		
'A' ordinary shares of £1 each, at a fixed dividend of 393.53p per share per annum		
Paid for the period 29 December to 31 March	100	100
Paid for the period 1 April to 30 September	200	200
Accrued, for the period 1 October to 2 January 2000	100	100
Accrued participating dividend	550	289
	950	689
	3,085	1,845

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

8 Tangible Assets

Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Moulds £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation							
At 3 January 1999	4,279	535	15,870	8,246	3,435	1,082	33,447
Exchange adjustment on consolidation	-	12	6	4	5	2	29
Additions	3,952	-	2,862	803	475	286	8,378
Disposals	-	-	(17)	-	(52)	(256)	(325)
At 2 January 2000	8,231	547	18,721	9,053	3,863	1,114	41,529
Accumulated depreciation							
At 3 January 1999	194	182	11,197	6,881	2,429	772	21,655
Exchange adjustment on consolidation	-	4	6	3	2	2	17
Provision for the year	92	19	1,252	726	311	158	2,558
Disposals	-	-	(8)	-	(26)	(235)	(269)
At 2 January 2000	286	205	12,447	7,610	2,716	697	23,961
Net book amount							
At 2 January 2000	7,945	342	6,274	1,443	1,147	417	17,568
At 3 January 1999	4,085	353	4,673	1,365	1,006	310	11,792
Net book amount of leased assets included in the above							
- at 2 January 2000	-	-	1,224	-	135	40	1,399
- at 3 January 1999	-	-	1,377	-	214	18	1,609

The group's freehold and leasehold properties were revalued by Messrs. Knight Frank as at 31 December 1992. The basis of the valuation was open market for existing use. The revalued amounts have been reflected in these accounts.

The cost and accumulated depreciation under the historical cost basis at 2 January 2000 would be £7,246,000 and £941,000 respectively.

At 2 January 2000 the group had capital commitments of £1,274,960 (1998: £5,419,614).

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

9 Intangible Assets

Group

	Intellectual Property Rights £'000
Cost at 3 January 1999	169
Amortised during the year	(9)
Net book amount at 2 January 2000	160

10 Investments

Subsidiary undertakings

	Cost of shares held 1999 £	Cost of shares held 1998 £	Country of incorporation
Cannon Rubber Limited	5,355,750	5,355,750	Great Britain
The Cannon Rubber Manufacturers Limited	2	2	Great Britain
Cannon Avent (Singapore) Private Limited	1	1	Singapore
Cannon Automotive Limited	2	2	Great Britain
Avent America Inc.	19,890	6,390	USA
Cannon Rubber GmbH (in liquidation)	-	-	Germany
Avent Limited	2	-	Great Britain
Avent Enterprises Limited	2	-	Great Britain
Cannon Avent Limited	2	-	Great Britain
	5,375,651	5,362,145	

All subsidiaries are wholly owned and are included in the consolidation. The companies incorporated in Great Britain are all registered in England.

Cannon Rubber GmbH, a wholly owned subsidiary of The Cannon Rubber Manufacturers Limited, was put into voluntary liquidation by resolution of the shareholder on 20 September 1996.

Cannon Automotive Limited is a dormant company.

The non-trading subsidiaries Avent Limited, Avent Enterprises Limited and Cannon Avent Limited were acquired by the company on 14 July 1999 at par value and have been dormant since incorporation.

During the year the company acquired the non-voting common stock of Avent America Inc. In consideration the company issued Convertible Deferred Shares. Details of shares issued are given in note 16.

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

11 Stocks

Group	1999 £'000	1998 £'000
Raw materials and packaging	1,637	1,593
Work in progress	442	386
Finished goods	4,508	4,002
	6,587	5,981

12 Debtors

Group	1999 £'000	1998 £'000
Trade debtors	11,977	10,468
Other debtors	160	248
Prepayments and accrued income	843	461
	12,980	11,177

Company	1999 £'000	1998 £'000
Amounts owed by group undertakings	2,415	1,341

13 Creditors (amounts falling due within one year)

Group	1999 £'000	1998 £'000
Bank overdrafts and short term borrowings	3,941	717
Trade creditors	4,539	3,792
Other creditors	285	305
Corporation tax	1,602	1,965
Taxation and social security	467	421
Accruals and deferred income	3,551	2,889
Hire purchase obligations	64	82
Finance lease obligations	342	454
Dividends payable	2,340	1,189
	17,131	11,814

Included within Other Creditors are amounts owed to Trust Funds of which the beneficiaries are E Atkin, a director of the company, and members of his close family. The amount outstanding at 2 January 2000 was £100,000 (3 January 1999: £100,000). Interest of £13,121 (1998: £6,541) was payable in respect of these amounts.

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

13 Creditors (amounts falling due within one year) (Continued)

Company	1999 £'000	1998 £'000
Corporation tax	22	13
Dividends payable	2,340	1,189
	2,362	1,202

The UK bank overdraft and short term borrowings of £3,134,000 (1998: £717,000) are secured by a floating charge over the stocks and debtors of Cannon Rubber Limited.

14 Creditors (amounts falling due after more than one year)

Group	1999 £'000	1998 £'000
Obligations under finance leases	237	631
Obligations under hire purchase contracts	100	157
	337	788

The obligations under finance leases (net of finance charges) are payable between one and five years from the balance sheet date.

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

	Finance leases £'000	Hire purchase contracts £'000
Between 1 - 2 years	237	48
Between 2 - 5 years	-	52
	237	100

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

15 Provision For Liabilities And Charges

Deferred taxation provided in the accounts comprises:

	1999 £'000	1998 £'000
Accelerated tax depreciation	520	346
Other timing differences	(56)	283
	464	629

The provision made represents the full potential liability of the group which in the UK is at 30% (1998: 30%) in respect of all timing differences.

No taxation has been provided in respect of the chargeable gain that would arise if the land and buildings of Cannon Rubber Limited and Cannon Avent (Singapore) Private Limited were disposed of at the revalued amounts included in the accounts.

16 Share Capital

	1999 £'000	1998 £'000
Authorised:		
Equity:		
9,884,857 Ordinary shares of £1 each (1998: 9,898,357)	9,885	9,899
Non equity:		
101,643 'A' ordinary shares of £1 each (1998: 101,643)	101	101
13,500 convertible deferred shares of £1 each (1998: nil)	14	-
	10,000	10,000

	1999 £'000	1998 £'000
Issued and fully paid:		
Equity:		
355,750 Ordinary shares of £1 each (1998: 355,750)	356	356
Non equity:		
101,643 'A' ordinary shares of £1 each (1998: 101,643)	101	101
13,500 convertible deferred shares of £1 each (1998: nil)	14	-
	471	457

By Special Resolution passed on 12 May 1995 the authorised share capital of the company was altered by the conversion of 101,643 ordinary shares of £1 each into 101,643 'A' ordinary shares of £1 each. On that date, 3i Group plc subscribed for all the 'A' ordinary shares in an amount of £5.0 million, at a per share price of £49.19 each.

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

16 Share Capital (Continued)

Under Articles of Association of the company adopted by Special Resolution on 12 May 1995 certain rights were conferred on the holders of the 'A' ordinary shares. The principal of these include (1) payment of a fixed cumulative dividend before any dividends are paid on the ordinary shares (2) payment of additional participating and compensatory dividends based on set formulae (3) on liquidation or a capital reduction of the company payment first to the holders of the 'A' ordinary shares £49.19 per share out of any remaining assets of the company after all liabilities have been met (4) conversion of the 'A' ordinary shares at any time into a like number of ordinary shares at the option of 75% of the holders of the 'A' ordinary shares. The right to redeem an unspecified number of 'A' ordinary shares expired on 31 March 1999.

In all other respects, including voting rights, the 'A' ordinary shares rank *pari passu* with the ordinary shares.

By Special Resolution passed on 20 December 1999, 13,500 unissued ordinary shares of £1 each were redesignated Convertible Deferred shares of £1 each. On that date Ms. E. Christie and Mr. D. MacNeil subscribed for 9,000 and 4,500 convertible deferred shares of £1 at par, in consideration of the sale to the company of their non-voting interest holdings in the company's subsidiary Avent America Inc.

Under new Articles of Association adopted by Special Resolution on 20 December 1999, the holders of convertible deferred shares of £1 each were conferred a right to convert the said shares into ordinary shares of £1 each, immediately prior to either the admission of any of the equity share capital of the company to the official list of the London Stock Exchange, or the completion of a successful offer to purchase 90% of the issued equity share capital of the company. Until conversion, the convertible deferred shares carry no rights to dividends and no voting rights. In the event of a winding up of the company, the payment to the holders of the convertible deferred shares will be limited to £1 per share after all liabilities of the company have been met and after the sum of £5,000,000 per share has been paid to all other shareholders.

17 Share Premium Account

On 12 May 1995 3i Group plc subscribed for 101,643 'A' ordinary shares of £1 each at the issue price of £49.19 per share.

18 Profit and Loss Account

Cannon Avent Group PLC has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The amount of profit after taxation accounted for by the holding company is £2,999,000 (1998: £1,633,000).

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

19 Reserves

Group	Revaluation reserve £'000	Profit and loss account £'000
As at 3 January 1999	1,926	10,807
Retained profit for the year	-	3,458
Currency translation differences	7	48
As at 2 January 2000	1,933	14,313

The group's properties were revalued as at 31 December 1992 (see note 7). The revaluation reserve reflects the results of this valuation.

Company	£'000
Profit and loss account	
As at 3 January 1999	146
Profit for the year	2,999
Dividends	(3,085)
As at 2 January 2000	60

20 Reconciliation of Movements in Shareholders' Funds

	1999 £'000	1998 £'000
Profit for the financial year	6,543	4,632
Dividends	(3,085)	(1,845)
	3,458	2,787
Currency translation differences	55	52
New share capital subscribed	14	-
Net increase in shareholders' funds	3,527	2,839
Opening shareholders' funds	18,089	15,250
Closing shareholders' funds	21,616	18,089
Shareholders' funds comprise:		
Equity interests	16,616	13,089
Non-equity interests	5,000	5,000
	21,616	18,089

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

21 Notes To The Cashflow Statement

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

	1999 £'000	1998 £'000
Operating profit	9,436	6,972
Depreciation and amortisation	2,536	2,271
Development expenditure amortised	-	62
Profit on sale of fixed assets	10	(59)
(Increase)/Decrease in stocks	(541)	281
(Increase)/Decrease in debtors	(1,788)	340
Increase/(Decrease) in creditors	1,167	(48)
Exchange rate movement	52	39
Other	14	-
	<u>10,886</u>	<u>9,858</u>

b) Reconciliation to net cash/(debt)

	1999 £'000	1998 £'000
(Decrease)/Increase in cash in the period	(1,610)	2,117
Decrease in lease financing and hire purchase commitments	613	605
(Decrease)/Increase in liquid resources	(1,570)	928
Change in net debt from cash flows	(2,567)	3,650
New finance leases	(33)	(365)
Translation difference	8	2
Movements in net debt in period	(2,592)	3,287
Net cash/(debt) brought forward	160	(3,127)
Net (debt)/cash carried forward	(2,432)	160

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

21 Notes To The Cashflow Statement (Continued)

c) Analysis Of net cash

	3 January 1999 £'000	Cashflow £'000	Other non- cash £'000	Exchange movement £'000	2 January 2000 £'000
Cash at bank and in hand	629	1,613	-	6	2,248
Overdrafts	(717)	(3,223)	-	(1)	(3,941)
	(88)	(1,610)	-	5	(1,693)
Finance leases and hire purchase commitments	(1,324)	613	(33)	1	(743)
Current asset investments	1,572	(1,570)	-	2	4
Total	160	(2,567)	(33)	8	(2,432)

Current asset investments represent short term bank deposits. These have been included in Cash at bank and in hand within the balance sheet.

22 Commitments Under Operating Leases

	1999 £'000	1998 £'000
Operating lease commitments, in respect of plant and equipment, which expire:		
Within one year	49	46
In the second to fifth years inclusive	81	127
	130	173

23 Employees

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

	1999 Number	1998 Number
Indirect staff	412	393
Direct staff	389	380
	801	773

Cannon Avent Group PLC and its Subsidiaries

Notes to the Accounts (Continued)

24 Pension Costs

In the UK a subsidiary undertaking operates a defined contribution ("money purchase") Group Personal Pension Scheme for eligible employees. Under the scheme the company contributes up to a maximum of seven per cent of members' scheme pay. Members may contribute to the scheme at their discretion. As at the 2nd January 2000 amounts owing to the scheme amounted to £92,529.

A separate executive defined contribution pension scheme also exists for the benefit of the managing director and Individual Defined Contribution Pension Plans for other directors.

In addition, the UK subsidiary has a small amount of unfunded pension liabilities to former employees.

25 Contingent Liabilities

- (1) Cannon Rubber Limited has guaranteed the bank facilities granted to its fellow subsidiaries Cannon Avent (Singapore) Private Limited to the extent of Singapore \$1,000,000 and Cannon Rubber GmbH (in liquidation) to the extent of Dm. 100,000. At 2 January 2000 the liability under these guarantees amounted to £Nil (1998: £nil).
- (2) The company has guaranteed facilities for its American subsidiary undertaking to the extent of US\$100,000. The liability under this guarantee at 3 January 2000 was US\$100,000 (1998: US\$nil).
- (3) The company has guaranteed certain outstanding finance lease and hire purchase obligations of its subsidiary undertaking Cannon Rubber Limited. The liability under this guarantee at 2 January 2000 was £486,837 (1998: £832,333).
- (4) The company has given a guarantee in respect of borrowings by Cannon Rubber Limited from its bankers. At 2 January 2000 the liability under this guarantee amounted to £1,148,000 (1998: £nil).

26 Controlling Party

Ultimate control of the company and the group rests with E Atkin who, together with other beneficial family holdings, controls a majority of the company's shares.