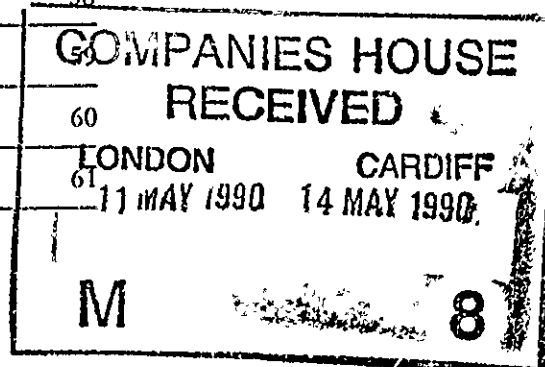


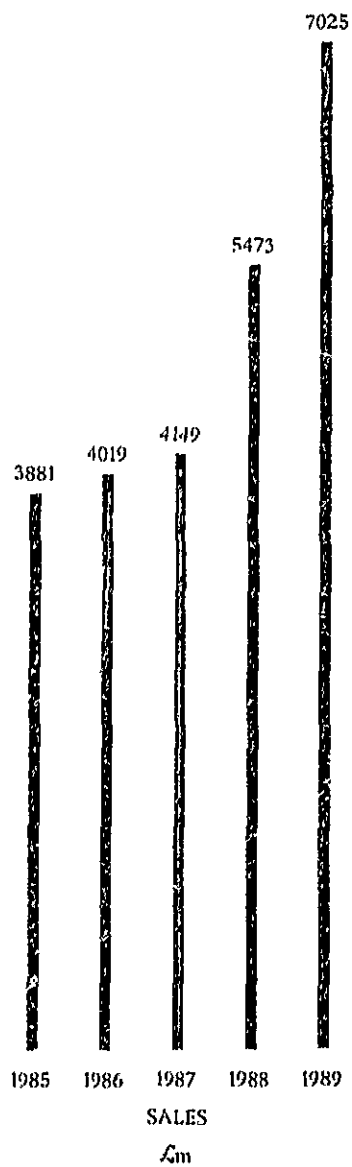
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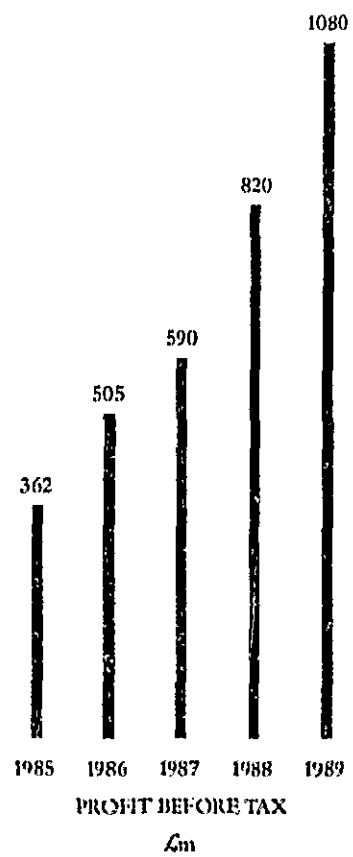


FINANCIAL HIGHLIGHTS

Sales
up 28%



Profit before tax
up 32%

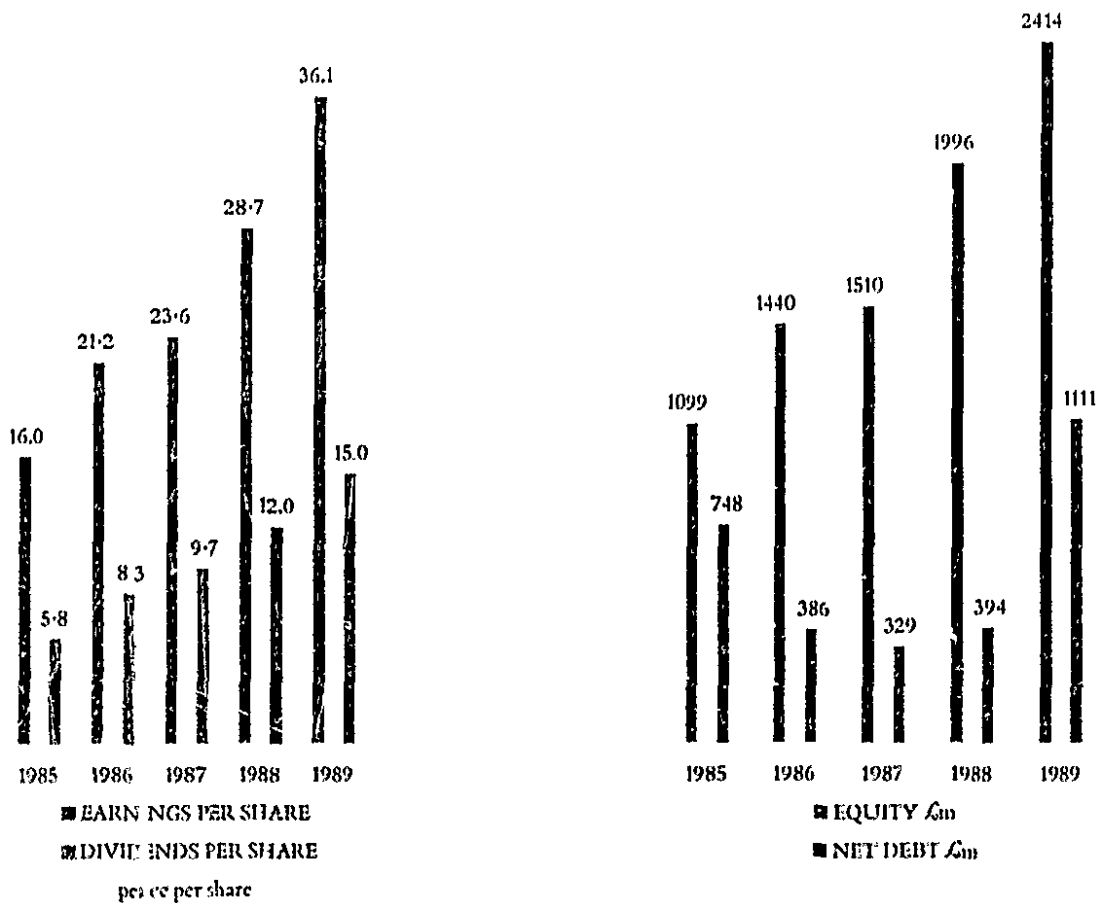


FINANCIAL HIGHLIGHTS

Earnings per share
up 26%

Gearing 46%

Dividends per share
up 25%



DIRECTORS & OFFICERS

Directors

Sir Owen Green	Chairman
----------------	----------

J. C. Cahill	Managing Director
--------------	-------------------

C. R. H. Bull	Finance Director
---------------	------------------

R. F. Faircloth	Executive Director Europe
-----------------	---------------------------

N. C. Ireland

A. R. Jackson	Managing Director BTR Nylex
---------------	-----------------------------

H. W. Laughland

E. E. Sharp	Chairman West
-------------	---------------

J. D. M. Smith	Executive Director Europe
----------------	---------------------------

L. J. Stammers

G. J. Yardley	Executive Director Europe
---------------	---------------------------

Company Secretary

S. K. Williams

Registered Office

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London SW1P 2PL

Telephone 071-834 3848

Fax 071-834 3879

Telex 22524

Registrars

Barclays Registrars Limited

6 Greencoat Place

London SW1P 1PL

Telephone 071-828 4321

With effect from 29 June 1990: Boume House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU Telephone 081-650 4866.

SHAREHOLDERS REPORT

THE SCENE

The past year has witnessed much change.

The political patterns of Eastern Europe are being re-cast, to be followed in that process, perhaps, by national structures. The strong economies have strengthened and the weak weakened. The aspirations of the less affluent are heightening. However, some reflections on our annual reviews during the past twenty years suggest less significant movements in the business scene.

Reviewing 1969 we referred to the effect of inflationary costs and to overseas investment as an important feature of future growth.

In 1979 a theme was the flattering effect of world inflation, the stress of strikes and the continuing evasiveness of the long predicted recession in the USA.

For 1989 the scene again included universally rising inflation, even in uncustomary areas, signs of labour unrest which is a natural concomitant of inflationary pressures and a persisting apprehension of recession.

In the Western economies, growth was generated or supported by the ready availability of money, albeit at a price. In the East, a continuing expansion of the economies was based on more enduring factors.

And yet, the more things change, the more they are the same for BTR. They are the same challenges to our constant and consistent pursuit of that growth which excites and rewards employees and fulfils shareholders' expectations.

OUR PERFORMANCE

THE GROUP

1989 will be remembered as the year in which we passed through the £ billion profit mark. After leaving the 'seventies on annual profits of £57 million, we leave the 'eighties on profits approaching twenty times that level. Ten years ago we were already the 34th largest UK company by market value. That rating has continued to improve. Our growth performance, whether measured in sales, profits or earnings per share has far exceeded the rates of inflation of any of the world's major economies and of the growth in their Gross National Product.

Operating profits for the year increased by 36%. Almost half of this increase was attributable to organic growth. Profit margins advanced to 17.6%, despite the initially dilutive effect of acquisitions.

Earnings per share of 36.1 pence grew by 26% - towards the higher end of our long-term compound growth range.

REGIONS

The European region remained the largest geographical contributor to earnings. Its profit growth, widely spread, was derived from volume increases and cost reduction gains, notably in the Paper group and the distribution businesses.

In the West the contributions from the Measurement & Flow Control companies purchased from Rockwell, and from the Schlegel Automotive & Building products group, advanced that region's total profits to new levels.

The Asia Pacific region fully justified our commitment over the

years, producing results which encourage further investment. The more recent acquisitions have done much more than counter a marked but cyclical downturn in the Taiwan plastics operations.

Our continental African interests had an outstanding year. They are well located to serve an undeniable growth in demand throughout that region long into the future.

A glance at the financial information on pages 38 and 39, and at the Ten Year Record on page 60, will show that on almost all generally accepted management indices we have improved our performance and added strength in-the-round to our many and varied operations. The dimensions of our own field of vision have always been more significant to BTR than the fashionably restrictive cult of focus pursued by others.

Ten years ago 63% of our profits derived from Europe. Today no region accounts for more than 40% and no single business sector contribution exceeds 30% of the whole.

THE BALANCE SHEET

VALUATIONS

The book value of shareholders' funds has risen to £1.6 billion. This compares with a market value of shares and warrants, at the year end, in excess of £8 billion.

Differences of such magnitude are little understood by most shareholder individuals, and current accounting trends relating to the treatment of intangible assets will probably serve only to confuse a wider readership. Simplicity in presentation, even at some cost to formula-driven accounting conventions, has its own merit.

SHAREHOLDERS REPORT

DEBT

The increase in net debt to £1,111 million reflects, in the main, acquisition finance. Profit available to cover finance costs remained at a conservative level of eight times those costs. After-tax revenue cash of £1,000 million derives from many streams of wealth creation sourced from our world operations. That flow provides much nourishment for our growth plans and prospects far into the future.

WARRANTS

Following the success of our first free issue of Warrants 1992/93, a second free issue of Warrants 1993/94 was made in November 1989. We continue to seek ways of helping the market to determine the full value of an investment in BTR.

NEW INVESTMENT

Whilst reinvestment of fixed capital in existing businesses was increased over an already high level, we enjoyed the compounded benefits of earlier capital spends from the improvements in productivity and quality and in the upgrading of capacities, where appropriate.

CAPITAL INVESTMENT

The new capital investments were made across the broad span of our operations and amounted to £449 million - a substantial further increase on the previous year. Much of this commitment was to the Asia Pacific region, mainly in glass packaging and other consumer orientated operations as well as in building construction.

The substantial and continuous re-equipment programme necessary to maintain world leadership in the valuable paper

machine clothing business was well conducted.

Our commitment to the automobile industry was deepened through further plant investment and by acquisition.

ACQUISITIONS

Acquisitions announced in 1988 fulfilled and, in some instances, exceeded our high expectations during 1989. The ACI companies in the Asia Pacific region and in the USA, strengthened by heavy capital investment, made fine contributions to our results and the quality of their resources in people and equipment augurs well for their future growth.

In the West the Measurement and Flow Control companies, whose acquisition was completed in March 1989, have been restructured. Their results and their prospects are fully up to the challenge of far-reaching objectives.

The purchase of Schlegel in January 1989 has broadened our environmental seal technology and our business in the automotive and the building industries - both important sectors of our whole group. Their management is responding well in a testing transformation of values resulting from their fine efforts.

Strategic acquisitions by the Paper group in Finland, Brazil, Italy and France have fitted well and rewardingly into the mosaic of its world structure.

DIVESTMENTS

These included the National Tyre Service distribution chain and Angus Fluid Seals in the United Kingdom and Marbon Chemicals in Australia, which no longer fitted

future plans.

THE CRITERIA

From time to time the academics, the politicians and the media run an issue pejoratively labelled "short-termism". The expression might apply to the views of economists - it was Keynes who said "When the facts change so do I." It could apply to the five year horizon of governments. It adequately describes the 24 hour life of the majority of media messages. It fittingly describes the antics of those security analysts who may seek to promote dealing revenue through the use of the label "trading stock."

When used to characterise growth corporations and their investment and acquisition strategies "short-termism" is often conversationally glib and always strategically ethereal. A paramount business logic having been established, we have a simple requirement of capital investment, whatever its size or however strategically important. It is that it should yield a cash positive result of significant impact within a reasonable time-frame so as to regenerate the continuing growth process.

Thus, in the past ten years and after excluding the costs of acquisitions, our capital investment in business assets has exceeded £1,400 million.

Over three years, including 1990, new cash investment in our existing businesses is running at the rate of £1.5 million per working day. Our return on capital employed at 42%, is amongst the highest, on a world scale, in any comparable manufacturing industry.

SHAREHOLDERS REPORT

RESEARCH & DEVELOPMENT

Each business supports development capable of satisfying the identifiable and projected needs of the marketplace. There are considerable variations in the requirements, from zero in pure distribution activities up to 10% of revenues in high technology areas. Sales turnover in R&D supported activities amounted to £5 billion.

NORTON COMPANY (USA)

On 16 March, 1990 we announced a cash tender offer of US\$1,643 million (approx) for Norton Company of Worcester, Massachusetts, USA, a leading world manufacturer of abrasives, advanced ceramics, performance plastics and chemical process products.

THE ORGANISATION

The substantial capital employed in the group is in the care of 106,000 employees. The scale is now very different from that involving 24,000 people ten years ago, but the skills, the dedication and their impact are the same.

The software of human ingenuity, energy and experience appreciates in value even faster than the cost of the hardware represented by machine and process sophistication. The timeless effect of the collective strength of our workers, whether of a section, a factory, a company or of the BTR Group as a whole, sustains our reputation as the "all-weather" growth company.

THE COMPANY

At the year end there were more than 121,000 shareholders (1988: 118,000) in your Company, which

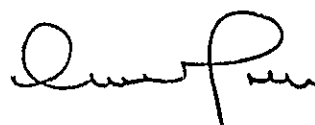
continued to rank within the 10 largest in the UK by market value. Not least because of our size, we regularly examine alternative, though rarely new, forms of ownership structure as they appear. Unbundling, focusing (whatever that implies), Keiretsu-grouping – each may have some advantage, for example in enhancing shareholder value. In a variety of economies and against differing legislative and political backcloths, our own style of evolutionary development has served well our customers, our workers and our shareholders.

In short – so far, so good.

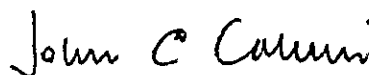
THE FUTURE

The opportunities to be provided for the major economies in a restructuring process in Eastern Europe are, like those in China, unlikely to be significantly productive in the near term. Nonetheless they do exist and they will be grasped. As a group with a broadly-based manufacturing presence we will seek to develop that advantage in those markets as they develop.

More immediate prospects are to be seen in the light of many economic signals set at 'caution'. Whilst, therefore, the going may be tougher we are planning for the twenty-fourth consecutive year of growth – that hallmark of the BTR organisation.



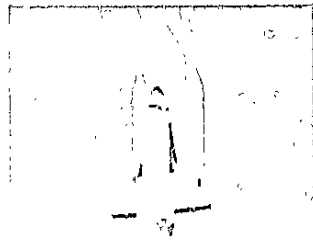
Chairman



Managing Director

THE PERFORMANCE OF THE DECADE

SALES £m
 PROFIT BEFORE
 TAX £m
 EARNINGS
 PER SHARE
 pence



The first space shuttle is launched.



The Royal Wedding, 1981. Prince Charles and Lady Diana Spencer marry at St. Paul's.

✚ **BTR** acquires the Thomas Tilling Group.

John McEnroe wins Wimbledon for the 3rd time with Dunlop.



Daley Thompson wins his second successive Olympic Decathlon Gold Medal.

Sebastian Coe wins second successive Olympic 1500 metre Gold Medal.

Australia II wins the America's Cup.

✚ **BTR** acquires the Hu Group.



Ronald Reagan is elected President of the USA.

✚ **BTR** acquires the Serck Group.

Argentina invades the Falklands. Great Britain sends task force to regain sovereignty.



3487

284

12.2

171

8.5

107

6.3

90

5.3

70

4.4

8



Faldo and Ballesteros win the Ryder Cup.



Gorbachev becomes the new Soviet leader.

BTR acquires the world-famous Dunlop Tyres and Nylax.

BTR acquires China General Plastics.

Nissan opens a new factory in the North East.

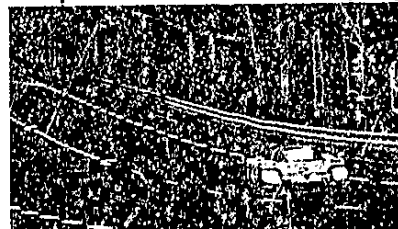
BTR supply many components for the British built Nissans.



1987

1988

1989



1080

5473

36.1

820

4149

500

28.7

Jaguar win Le Mans.
BTR supply many components for Jaguar.

Margaret Thatcher completes 10 years at No. 10.

4019

505

23.6

BTR acquires Borg Warner in Australia and Stewart-Warner in the USA.

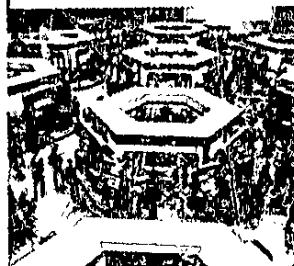
The Stock Market crash.

21.2

3881

362

16.0

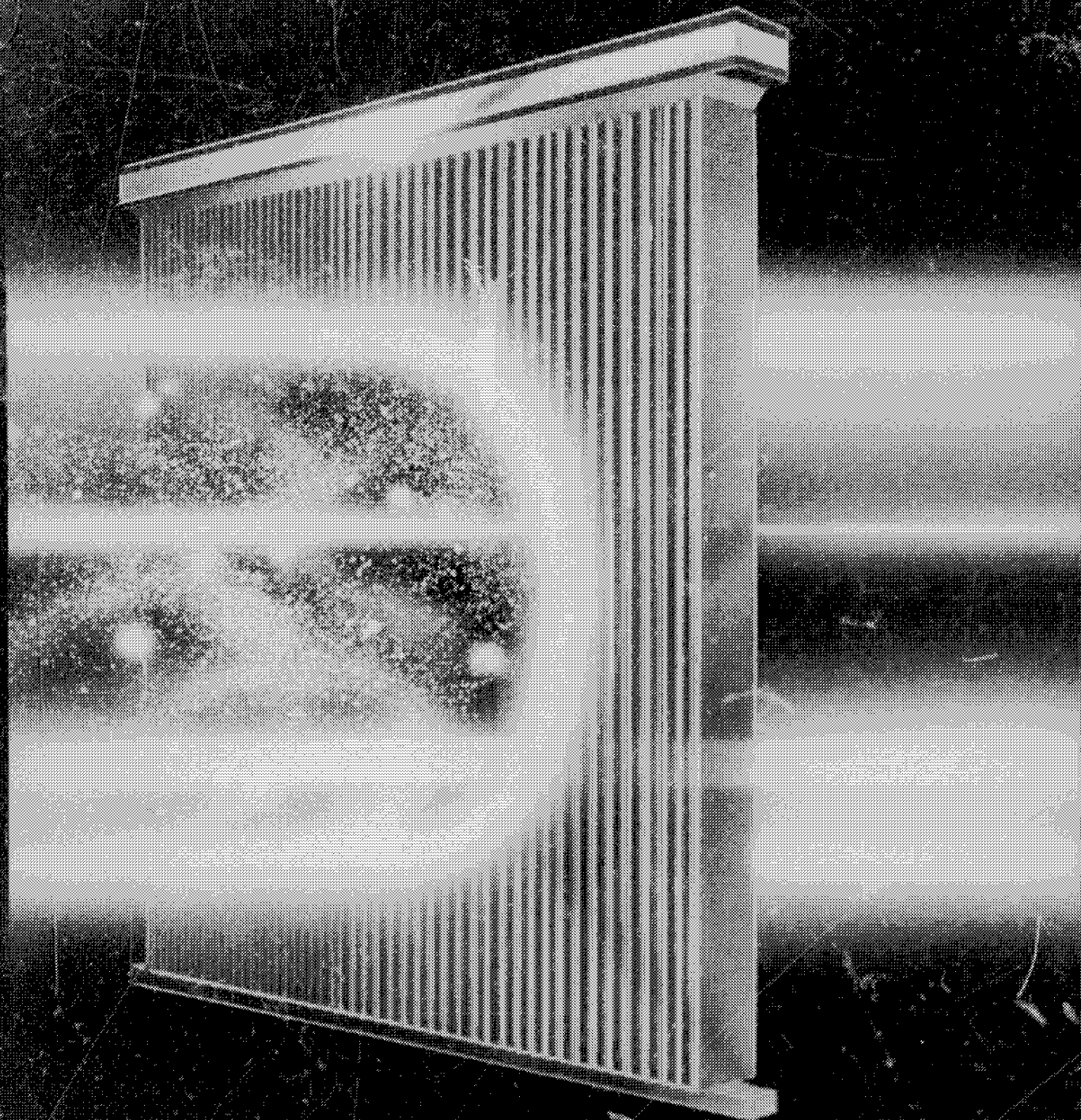


BTR acquires ACI International.



The Berlin Wall is demolished.

BTR acquires Feltrax International in New Zealand, Rockwell's Measurement & Flow Control Division and Schlager in the USA.



INDUSTRIAL

REVIEW OF OPERATIONS

SALES

£ millions		
1989	1988	% increase
1310	1171	11.9%

TRADING PROFIT

£ millions		
1989	1988	% increase
213	210	1.4%

The continuing worldwide need to increase investment in new plant and equipment bolstered demand for BTR industrial products.

A combination of the ceaseless drive for productivity, the need for substantial investment in plant and equipment in Eastern Europe, and concern about the environment underpins BTR's expectation for further growth of industrial markets through the 1990s.

ENVIRONMENTAL STUDIES

Companies producing goods and services that improve the environment, generally experienced strong demand. The **DCE Group** had another good year. With governments throughout the world passing increasingly stringent dust control and environmental legislation, **DCE** is well placed to assist in providing solutions to many pollution problems. **Vokes** and **Hoffman Air and Filtration** also experienced strong demand for their products.

MATERIALS HANDLING AND POWER TRANSMISSION
Steady growth was maintained by most of the materials handling companies around the world. **Dunlop-Enerka** in Holland and **Dunlop Hi-Flex** in Finland and Sweden produced particularly good results, and the **Industrial Products Division** of **BTR Dunlop** in South Africa and **Apex Belting** in Australia achieved significant cost reductions and productivity improvements.

Global demand for industrial power transmission products remained strong and **The Hansen Transmissions Group** achieved a substantial improvement in profitability. The recent investment in an **Electronic Drive Product Centre** in Belgium will enable **Hansen Transmissions** to penetrate the growing market for AC and DC speed variation units. **Winfred M Berg** in the USA had an outstanding year and developed a new metric product range and catalogue to further develop exports.

GENERAL INDUSTRIAL

The majority of BTR's industrial rubber and plastics companies produced solid performances against a background of broadly

static markets. The progress of **Lonstroff-BTR** and the **Schlegel** industrial companies were particularly commendable. Results from BTR's engineering units were mixed. The performances of the heat exchange companies were encouraging but that of **Bassick**, the castor manufacturer fell well short of expectations.

PLASTICS AND CHEMICALS

The Taiwanese plastics companies experienced change in their market conditions. Reduced worldwide demand and increased capacity resulted in lower prices but good progress is being made in improving product quality and efficiency. Technology transfer from **BTR Nylex** is enabling **China General Plastics** to develop more value added products and decrease dependence on chemicals. Longer term prospects for Taiwan remain good and **Nylex** is continuing to invest in projects to provide a stable source of raw materials and a broader range of added value businesses.

In Australia, **Vinyl Products** showed a steady improvement throughout the year as new products were introduced and new equipment came on stream.

DCE's revolutionary Sintamatic filter - a significant advance on traditional f.b.h. systems.



TRANSPORTATION

REVIEW OF OPERATIONS

SALES

£ millions		
1989	1988	% increase
946	846	11.8%

TRADING PROFIT

£ millions		
1989	1988	% increase
196	146	34.2%

At the beginning of the year most markets were buoyant. Demand fell in the North American car market during the second half of the year followed by some weakening in the UK market in the fourth quarter. The Australian market retained its strength throughout the year. Worldwide demand for aerospace and railway systems remained strong.

During the year **Schlegel Corporation**, manufacturer of door and glass sealing systems in North America and Europe and **Haskon Inc.**, a leading manufacturer of aircraft seals in the United States, were acquired to strengthen BTR's core businesses. A **European Automotive Group** was created recognising BTR's commitment to, and investment in, automotive component production activities. **National Tyre Service** was sold as it did not fit BTR's longer term strategy.

Concorde is fitted with many BTR products including brakes, wheels and tyres and a cargo hold of woven glass laminate

AUTOMOTIVE OEM

Results from the majority of BTR's automotive companies were good. The operations within the **European Automotive Group** were awarded major contracts by Nissan, Rover, Ford, Audi, General Motors and Volvo. Group companies strengthened their ties with Japanese component manufacturers to optimise business potential with future Japanese car plants in the UK and Europe. **Dunlop Automotive Composites**, a joint venture with Ford Motor Company of Detroit, was set up to develop innovative lost-core technology for composite engine manifolds and other engine compartment components.

Profitability advanced strongly in North America. **Schlegel Automotive** successfully pursued a programme of product and facility rationalisation, and productivity improvement. Substantial new business contracts were signed with Ford and General Motors and **Schlegel** won inclusion in Chrysler's strategic suppliers list.

The Australian automotive industry is being encouraged by government policy to enhance efficiency and promote exports. **BTR Nylex's** companies are responding to this initiative by investing in new technology to reduce cost and to develop higher value-added products. The highlight of the year was the successful launch of the *Model 85 Automatic transmission* by BTR Engineering.

AUTOMOTIVE AFTERMARKET International Radiator Services had another very good year. In the UK **Serck Marston** acquired six radiator shops bring-

ing the total number of outlets to 94. In the United States **Serck Services Inc.** continued to build a chain of radiator service centres and commenced manufacturing radiator components. The Middle East operations set new performance records.

Restructuring at **Stewart-Warner Alemite** is producing much improved results. Operating controls have been revised and customer service greatly improved.

TYRE TECHNOLOGY

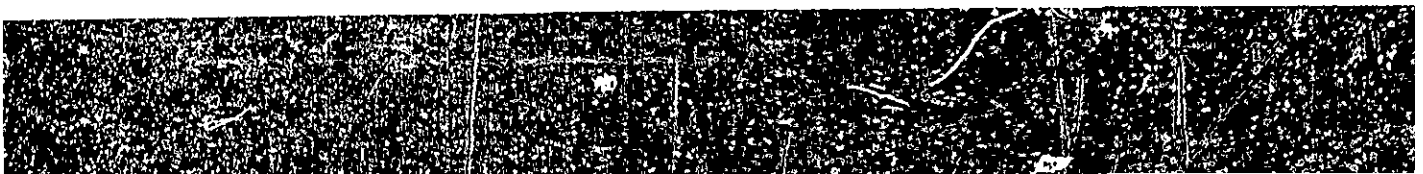
Dunlop Overseas, supplying tyres, tyre technology and a variety of other products, produced record profits. **BTR Dunlop** in South Africa achieved its best results ever in a broadly static market and successfully launched the new *SP-33* range of steel belted tyres for both cars and trucks.

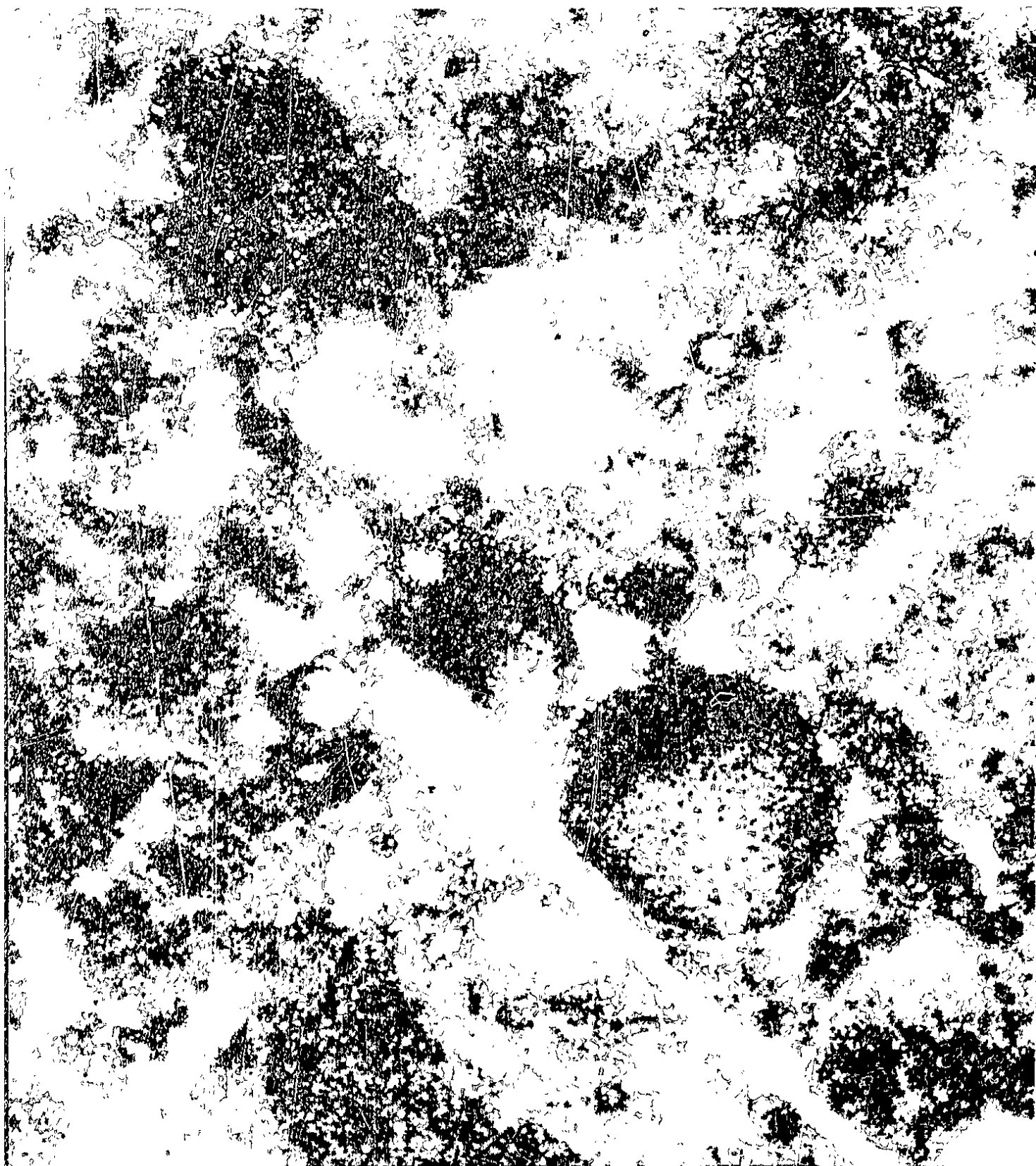
AEROSPACE

Dunlop Aviation won important new aircraft contracts to supply wheels and brakes for the Jetstream 41 and brake management systems for the Dornier 328, during a year in which the number of commercial aircraft worldwide, equipped with **Dunlop** carbon brakes, grew significantly. **Serck Aviation** and **Dunlop Precision Rubber** continued to achieve excellent results. **Haskon** has been restructured to improve profitability.

RAIL

Sales to the railways grew strongly. In the UK **Metalastik** made a significant break-through with *Metalastik Hourglass Springs* for ultra-high speed trains. In Southern Africa **Rubber and Allied** carried out a major rail fastener contract on the Mozambique-Zimbabwe line.





CONSTRUCTION

REVIEW OF OPERATIONS

SALES

£ millions		
1989	1988	% increase
1979	1375	43.9%

TRADING PROFIT

£ millions		
1989	1988	% increase
329	227	44.9%

Most companies experienced strong demand in the early part of 1989. Market conditions in the US and UK softened in the second half. In Australia demand held throughout the year. Against the changing environment, results were good and companies are well placed to respond to the opportunities of the next decade.

Amatek, as part of **Feltrax**, was acquired at the beginning of the year. **Amatek** is a major manufacturer of building materials, specialising in concrete products, quarry products and roll formed metal building components. Operations are conducted in Australia and in the United States.

Polypropylene fibres give Tilcon's metal lathing plaster added flexural and water repelling properties.

AGGREGATES AND

CONSTRUCTION PRODUCTS

Management restructuring at **Tilcon UK** created a product-based organisation with improved customer service. The **Quarry Products Division** made a significant investment in new plant at the **Douglasmuir Quarry** near Glasgow and acquired **Ball Mill Sand and Gravel** in the Midlands. The **Concrete and Mortar Division** opened a number of readymixed concrete plants and built on its product leadership in mortar by expanding into previously uncovered areas. State government deficits and high interest rates have depressed demand in **Tilcon Inc's** market in the northeastern United States. Commendably, **Tilcon** has taken the necessary steps to meet the challenge by cutting costs, improving service and maximising cash flow. Longer term, the substantial infrastructure revitalisation needs in the region will provide a more favourable market outlook.

Virtually all companies in the **Nylex Building Products Group** improved profitability. Although demand is not expected to be as buoyant in 1990, companies will benefit from major capital expenditure programmes which are reducing the cost base, improving material utilisation and raising profitability.

Amatek was helped by strong market demand and the acquisition of **K.H. Stramit** and **Amtel** in Australia. Profits more than doubled in 1989. **Nylex** see good prospects for developing **Amatek** into a worldwide business through a combination of organic growth and strategic acquisition.

CONSTRUCTION SERVICES
Pascon had a record year despite

the slowdown in demand in the UK construction industry. **Palmer Scaffolding** secured a noteworthy three year maintenance contract from **ICI Grangemouth** and won a number of prestigious contracts. The recently introduced portable site accommodation and specialist pump hire service businesses are developing well. **Kee Klamps Group** produced excellent results and continued to benefit from its expanding distribution network.

BUILDING SUPPLIES

AND HOME IMPROVEMENTS
Graham Builders' Merchants uplifted profitability was significant for a year when trading conditions were not encouraging. Ten new branches were opened and four acquired, making a total of 140 outlets at the year-end. Bathroom and kitchen product ranges were revised and extended to include a new *A La Carte* range of up-market bathrooms.

Pilkington's Tiles Holdings improved profitability throughout the 1980's and new major investments were made to enable the group to maintain momentum. In the UK, investment in two new fast fire kilns has enabled **Pilkington's Tiles UK** to increase capacity for both wall and floor tiles, and reduce unit production costs. In South Africa a new monocottura floor tile plant has recently come on stream.

Since becoming part of **BTR** at the beginning of the year, **Schlegel Building Products Group** has, through production and other improvements, significantly uplifted profitability despite a slowdown in most of the companies' markets.



CONTROL SYSTEMS & ELECTRICAL

REVIEW OF OPERATIONS

SALES

£ millions		
1989	1988	% increase
1077	883	22.0%

TRADING PROFIT

£ millions		
1989	1988	% increase
136	94	44.7%

In order to reflect a changing emphasis this business segment has been redesignated **Control Systems and Electrical**.

BTR acquired the **Measurement and Flow Control Division** from Rockwell in March 1989. The acquisition makes BTR's **Valve Group** the largest quarter-turn valve manufacturer in the world. The division has been re-organised into separate product-oriented business units including five valve companies. The remaining five companies are now called the **BTR Metering Group**.

Control systems remained broadly static with modest growth in automated valve products and high specification valves for the chemical and processing industries. BTR discontinued some oil industry supply activities that did not fit its longer term strategy.

Demand for electrical products remained strong in the first half of 1989, but the slowdown in the building industry led to softness in certain markets in the second half.

BTR companies are major suppliers of valves, actuators, filters and electrical products to the chemical industries

FLOW MEASUREMENT AND CONTROL

Sensus Technologies, the leading supplier of clean water measurement equipment, is expanding its market with patented **Touchread** automated meter reading equipment. **Equimeter**, a major supplier of meters, regulators and instrumentation for the gas industry, is developing a new residential gas meter and also sees scope to incorporate **Touchread** technology. **Smith Blair**, manufacturing pipe repair clamps and fittings, also achieved much improved results.

BTR Valve Group continued to make solid progress with particularly good results by **Worcester Controls** in the UK, United States and Canada. **Marpac**, **Nordstrom Valves** and **McCanna** have improved profitability substantially since becoming part of the **BTR Valve Group**. Nonetheless, their returns on sales remain below the Group average, demonstrating the potential for further improvement in 1990. **Worcester Controls** won a major contract to supply valves on six new submarines to be constructed for the Royal Australian Navy over the next five years.

INSTRUMENTATION

Stewart-Warner Hobbs had a record year and brought a number of new products into the market place. **Stewart-Warner Electronics** won a major contract from the Korean Defence Agency for IFF equipment. **Stewart-Warner Instruments** had a poor year, but plans are well advanced to move the company into new manufacturing facilities in the South West of the United States.

ELECTRICAL DISTRIBUTION

Newey & Eyre, the leading

electrical wholesaler in the UK, made sound progress despite the slowdown during the second half of the year. Sixteen branches were opened during the year bringing the total number near to 200. **Newey & Eyre** has invested heavily in computing and telecommunications to retain competitive advantage in the 1990s and is spearheading an industry wide initiative on electronic data interchange (EDI). EDI will provide customers with direct access to estimating, stock availability and ordering. **Wellco**, supplying electrical products to the DIY market, produced disappointing results due to a fall off in demand.

The development of the "distribution centre" concept and tight cost controls helped **Summers Electric** in the United States increase its profits despite a static market. In the Far East, **Newey & Eyre** showed a substantial improvement in the second half and **Tainco Cutler-Hammer** invested in plastic and metal components facilities to increase value-added opportunities.



CONSUMER RELATED

REVIEW OF OPERATIONS

SALES

£ millions		
1989	1988	% increase
1713	1198	43.0%

TRADING PROFIT

£ millions		
1989	1988	% increase
365	237	54.0%

Most areas of activity experienced modest improvements in demand. The footwear, bedding and furniture markets in the UK were depressed and the packaging market in Australia was restrained by lower consumer spending as a result of high interest rates.

The **Commercial Interiors Group** was acquired with **Feltrax** at the beginning of the year. The Group operates in Australia, New Zealand and the United States and manufactures commercial furniture, furniture systems, modular carpets and partitions.

PAPER AND PRINTING

The **BTR Paper Group** has produced outstanding results throughout the 1980s and further excellent progress was made in 1989. Acquisitions in Finland, Brazil, Italy and France have been an important element in **BTR Paper Group's** recent success and further strategic acquisitions are being sought.

SPORTS AND FASHION

Golf continued to be the main area of opportunity for **Dunlop Slazenger**. The company achieved profitable market share growth in Europe and North America with its **Maxfli** and **Slazenger** brands. **Racket Division** was able to strengthen its position in the premium sector by the introduction of a new generation of "wide body" graphite frames. The UK **Puma** franchise had another successful year.

Pretty Polly built on its successful 1988 introduction of the **Nylons** brand and again demonstrated its technical and marketing leadership with the launch of the world's most sheer 5 denier tights and stockings.

HEALTH CARE

The Healthcare companies improved profitability despite difficult market conditions for the rehabilitation companies. The **Nunc Group**, manufacturing laboratory products in Denmark and the USA, had another successful year. The market for **Bear Medical Products** was very strong. In the US demand for the newly released **Bear 3 Ventilator** was very high and new records were set in export markets which included notable contracts for infant ventilators with the USSR.

PACKAGING

BTR Nylex's Packaging Division met its profit objectives despite difficult market conditions. A number of investment projects enabled the **Glass Division** to improve productivity and lower costs. Companies in the Pacific Rim achieved significant profitability improvements and investment programmes are underway in the Malaysian, Indonesian and Thailand plants in order to meet expected

demand. The **Plastics Division** made good progress, withdrawing from many commodity products and stepping up new product development.

ELECTRONIC

POINT OF SALE (EPOS) SYSTEMS

In the **ADS Anker Group** the major product success in the year was the market response to the top of the range **System 49**, which is now being used by a wide range of retail operations including supermarkets, restaurants and passenger ferry lines.

INTERIOR FURNISHINGS

1989 was a year of rapid change for the furniture and bedding companies. The **Rest Assured Group** achieved good progress despite difficult market conditions. During the year **G. T. Rackstraw**, a manufacturer of high quality reproduction 18th Century furniture was acquired. **Dunlopillo** launched a range of **Kontur** beds, developed jointly in the UK and Germany. While the UK bedding market was depressed, demand in Germany was very strong.

The companies within the **Commercial Interiors Group** are market leaders in Australia and New Zealand, and considerable investment in technology and product development is underway at **Allsteel**, to exploit market opportunity in the United States.

In the **Feltex Carpets Group**, earnings recovered strongly in 1989, and continued attention to cost control and methods of distribution holds the key to growing the business in the 1990s.

Aramis Sanchez rose to number 3 in world tennis rankings in 1989, winning the French Open with Slazenger's new wide body racket.

THE ENVIRONMENT AND THE COMMUNITY

BTR companies are committed to continuing profitable business growth along with a responsible attitude towards the health and safety of their staff, the well-being of the communities in which they are present and the protection of the environment. Individually and collectively they and their employees have given freely in time and energy and financial support to help numerous international, national and local movements.

While only a small number of these activities can be mentioned here, all those who have contributed deserve our recognition and thanks.

THE ENVIRONMENT

All BTR group companies maintain stringent policies with regard to environmental issues. Some companies like **DCE** and **Vokes** are directly involved in the field of environmental protection, but there are many examples of BTR companies and staff demonstrating awareness and concern for the environment.

Tilcon scored a notable success with the restoration of Farnham Quarry near Knaresborough in Yorkshire. As part of an ongoing programme for its quarries, **Tilcon** has returned the area to agriculture and a major sailing centre and nature reserve, now administered both by the Ripon Sailing Club and local naturalist societies. Sand Martins have established nesting sites and Snow Geese and Ospreys have become regular visitors to the reserve.

Alkathene tubing donated by **Goodman Groggan** is helping the Gambian Wildlife and Conservation Department to create artificial breeding and nursery



BTR's White Water meters raised over £13,400 for charity.

pools for the endangered Dwarf Crocodile.

Metalastik has been involved in several projects, located in Denmark, Belgium and South Wales, which are investigating alternative energy production through windpower generators.

Concargo has succeeded in reducing by 50 per cent the chlorofluorocarbons in the panels it makes for refrigerated vehicles. The company is confident it will be able to eliminate all CFC's in the panels by 1992 – well ahead of the Montreal Protocol.

With more than seven million sheets of paper consumed each year in computer listings, **Newey & Eyre** have now switched to using recycled paper for print-outs.

A flexible cage, able to withstand high waves and winds, developed by **Dunlop Aquaculture** provides for viable offshore salmon farming and is becoming recognised as an important contribution by an expanding industry concerned with environmental issues.

DCE – winner of the Prix de Promotion Internationale de l'Industrie – has been active in Europe and the United States in projects investigating incineration products, acid rain and other critical air pollution areas.



Sand Martin nests in the restored quarry at Farnham.

THE COMMUNITY

On learning of their desperate need, **Intermed** donated a Bear Medical Systems portable emergency ventilator to volunteer doctors involved in the Hampshire, Berkshire and Surrey Immediate Care Scheme – which provides for on-the-spot life support to persons involved in road accidents.

More than 150 **Pretty Polly** employees from the company's factory at Sutton-in-Ashfield raised over £2,000 in the Annual Sherwood Forest sponsored walk, making a total of £4,000 that they have raised in order to help equip a new hospice at nearby Mansfield.

A large rubber ball, on loan from **Leyland & Birmingham Rubber**, won first prize in the Preston Carnival for the children of the Elswick Play Group who decorated the ball with coloured bits of paper to form a globe.

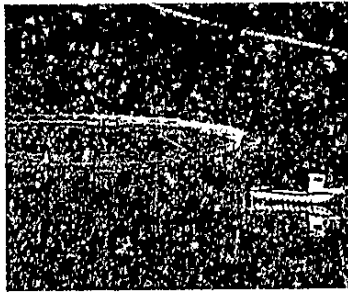
Revvo Castors and **Cimex** raised £500 for the cancer unit of Christchurch Hospital. Staff at **Graham Builders' Merchants** raised £2,335 for BBC Children In Need by organising "Casino Nights" for customers and suppliers.

Teams from 24 BTR companies raised over £13,400 for the British Heart Foundation and the Muscular Dystrophy Society in the groups

THE ENVIRONMENT AND THE COMMUNITY



DCE's group cafeteria, winner of the Heartbeat Award for healthy eating.



New flexible cages make for viable offshore farming of salmon.



Intermed donated a portable ventilator to a home counties flying doctor scheme.

annual white-water raft race. And Colin Woodford of **Dunlop Oil & Marine** overcame the debilitating effects of Cerebral Palsy to walk the 26 miles of the Humber Marathon, raising £1,000 for charities devoted to help children also suffering from the disease.

Among the many hundreds of pounds raised by staff throughout the group during Comic Relief Day was £233 raised by three "gangsters" at **BTR Farington**, who held colleagues to ransom and then added to the takings by holding a raffle.

In addition to their various fund raising activities many BTR employees support charities - including Save the Children, Dr Barnardos' Homes, British Red Cross Society - through payroll deductions.

Many BTR companies are actively involved in or initiate schemes to promote understanding of the role and importance of business and industry among teachers and students. **Dunlop Precision Rubber** joined the Industrial Support Group at Coalville's Castle Rock High School. Besides hosting a series of factory visits by staff and students, the division helped plan the school's new technology course and has received a party of leading educationalists investigating successful school industry

links. **Dunlop Zimbabwe** has committed 200,000 Kwachas to building a science room for Nsansa School.

Many companies provide for practical help and advice to persons wanting to set up in business by seconding members of staff. **Permal** is providing senior managers to act as business advisers to a group of local sixth form students engaged on an extra curricular activity to set up, and run their own business over ten months.

Character building ventures for young people, such as Operation Raleigh, The Society for Environment Expansion, and the Sail Training Association continue to have active support from many companies including **Vokes** and **Dunlop Precision Rubber**. Other companies have sought to sustain interest in sports among youngsters. **Dunlop Slazenger** has launched a Squash Roadshow designed to introduce the game to 9-16 year olds, at 27 venues. And **Puma** is sponsoring newly built indoor sports centres in Sunderland and Wigan.

HEALTH AND SAFETY

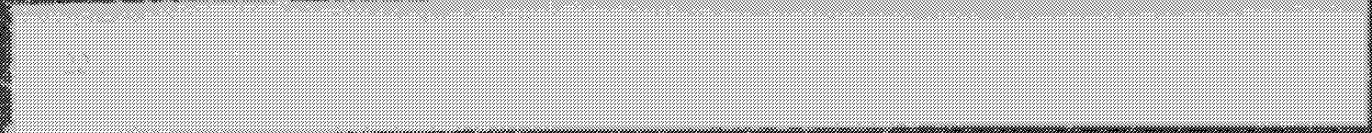
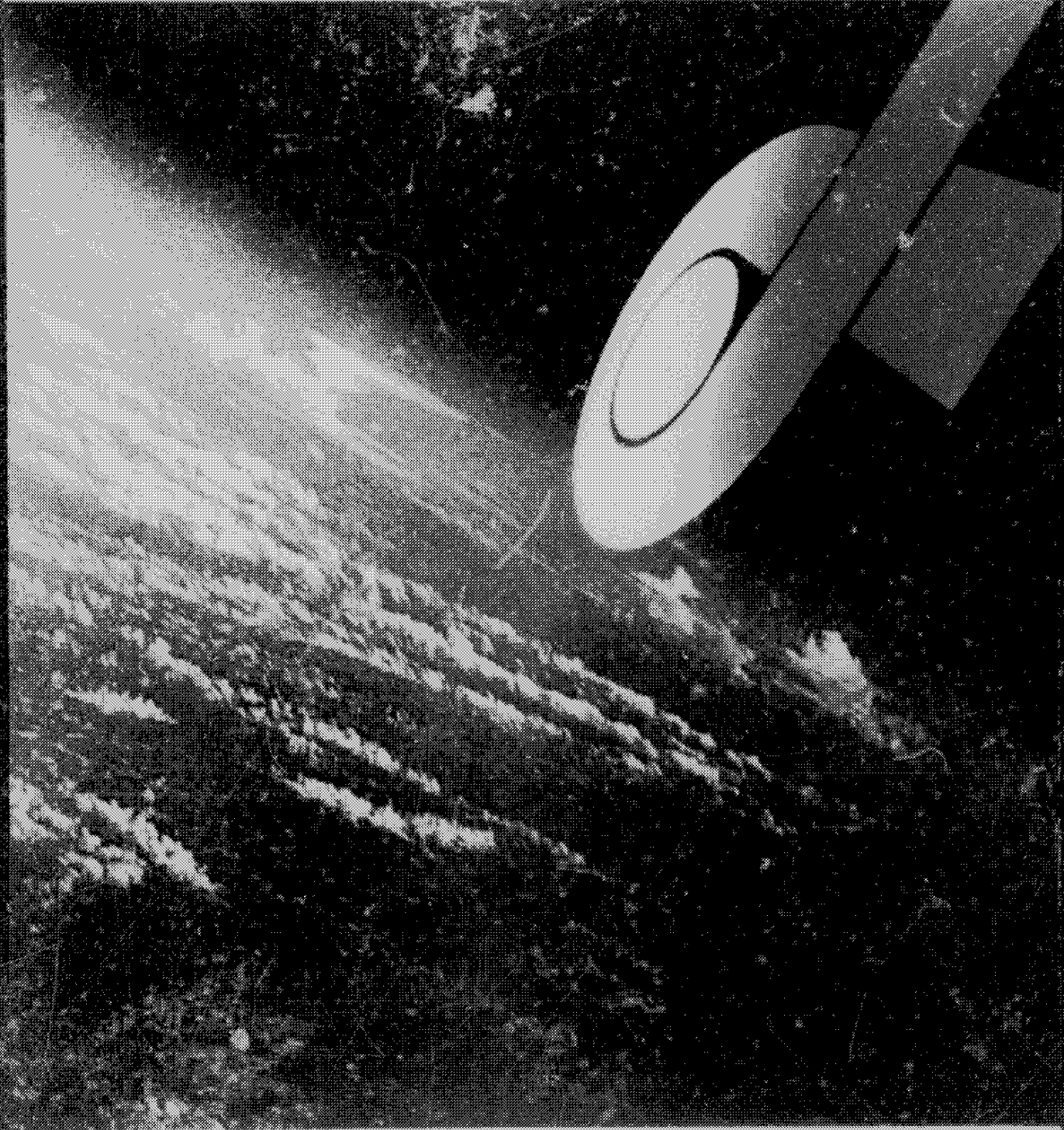
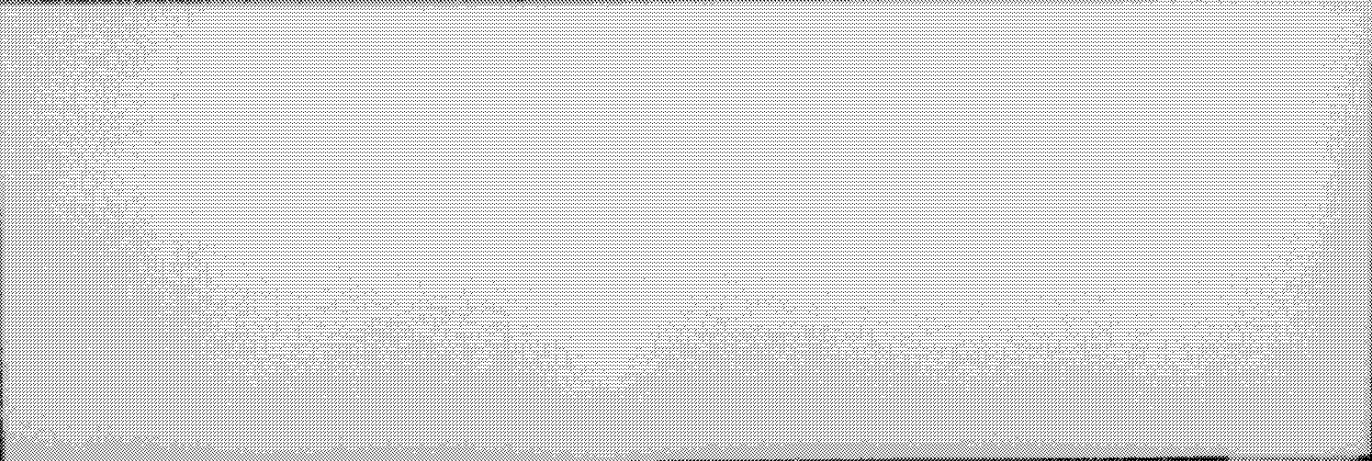
It is the aim of BTR to safeguard the health and safety of all its employees whilst at work, and to pursue a policy which as far as reasonably possible, ensures that:

a sound working environment is maintained at all its operating locations, along with full compliance with relevant statutory provisions; and adequate standards of advice, training and instruction in these matters are provided and maintained at all levels.

The high standards of safety at BTR companies were again recognised by both national and industrial bodies. **Palmer's Scaffolding** beat over 100 other contenders to be awarded the Esso Safety Challenge Shield for their safety record at Fawley Refinery. The **DCE Group** cafeteria became the first cafeteria in Leicestershire to win the Heartbeat Award - a national certificate for caterers active in the fight against coronary heart disease.

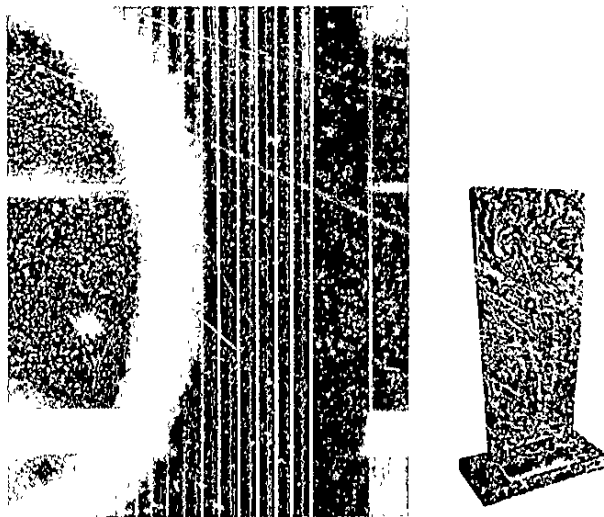
EQUAL RIGHTS

It is the Group's policy to ensure that there are equal opportunities for recruitment, training and promotion for all employees irrespective of sex, race, nationality or religious beliefs. Similarly it is policy to ensure that disabled people have equal opportunity for engagement, training and promotion wherever possible.

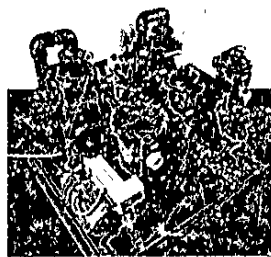


PRINCIPAL OPERATING BUSINESSES

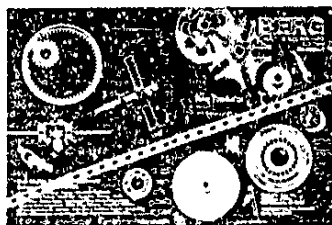
INDUSTRIAL



DCE Group, Europe's largest manufacturer of industrial dust control equipment, has ten subsidiaries around the world supplying almost every major industry.



Vokes designs and manufactures liquid and air filter systems and has industrial metal bellows and has operations in the UK, Holland and the USA.



The companies of the Clarkson Industries Group manufacture a wide variety of products; three supply environmental equipment. Hoffman (filtration), Airflow (air conditioning), and Atmos Engineering (heating and ventilating installations). Other companies in the group include B M (automated baggage handling equipment) and Winfred M. Berg (precision engineering components).

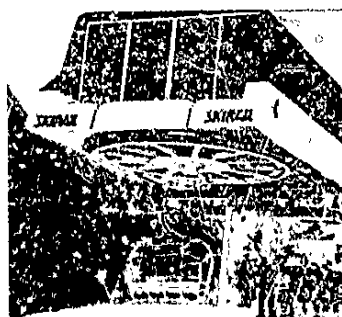
INDUSTRIAL



A leading worldwide producer of rubber, steel cord and PVC conveyor belting, BTR supplies to a variety of industries such as mining, power generation and agriculture. The main conveyor belting companies are BTR Farington in the UK, Dunlop-Enerka in Holland, Dunlop CCT in Belgium, BTR Dunlop in South Africa and Apex Belting in Australia.



BTR is also a leading supplier of industrial and hydraulic hose with a number of plants in the UK, Europe, South Africa and Australia. Dunlop Hiflex in the UK and Europe supplies a wide variety of hydraulic hose assemblies and related products.



The Hansen Transmissions Group is an international specialist in the manufacture of transmissions and gear speed reducers used in machinery for mining, engineering, power generating and many other industries.



BTR is a major supplier of industrial rubber and plastic products. BTR Silvertown, Leyland and Birmingham and Dunlop GRG Division in the UK; Lonstrott-BTR in Switzerland; Peter-BTR in Germany; BTR Dunlop in South Africa and Empire Rubber in Australia supply a wide range of products to a number of diverse industries.

Specialist companies include Dunlop Oil and Marine (oil industry hose); Nuway (entrance matting) and Greengate Polymer Coatings (coated fabrics).

INDUSTRIAL



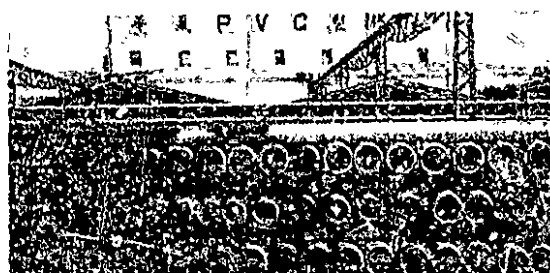
Dunlop Adhesives produces adhesives and sealants for home improvement, construction and transportation markets.



BTR has a number of specialist engineering companies including Serek Heat Transfer in the UK and South Wind in the USA, manufacturing heat exchangers used in diesel and gas turbine engines; Revvo Castor in the UK and Bassick in the USA (industrial castors), and Cimex in the UK, USA and Europe (commercial and industrial floor cleaning equipment). In Australia, BTR Indeng is a leading distributor of a number of industrial products.



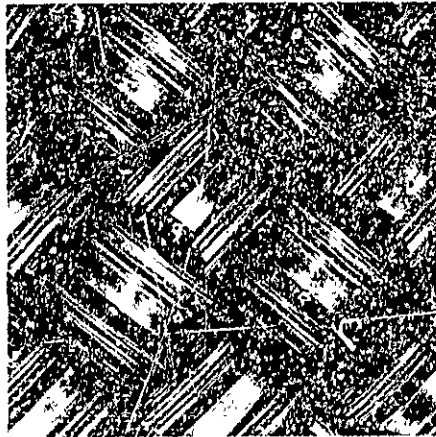
Vinyl Products in Australia manufactures a wide range of products such as profiles, calendered film and lining materials for industrial, automotive and leisure markets.



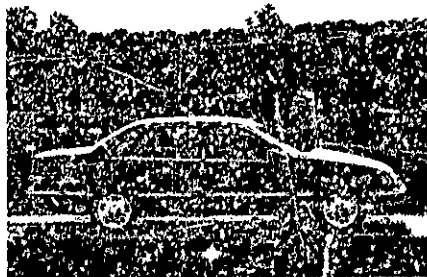
In Taiwan, China General Plastics Corporation, Taita Chemical and Asia Polymer Corporation manufacture a wide variety of chemicals and plastic products such as chlor alkalis, PVC pipe, coated fabrics, flexible and rigid film.

PRINCIPAL OPERATING BUSINESSES

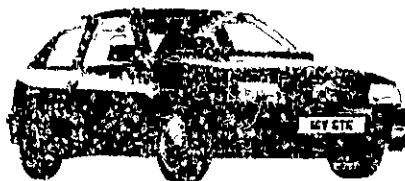
TRANSPORTATION



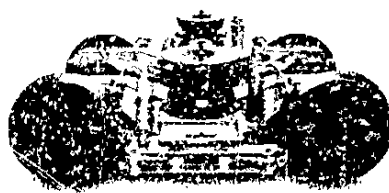
Dunlop-Topy Wheels is the leading European producer of steel wheels for cars, with Topy of Japan as a minority shareholder.



Suspension systems for cars and commercial vehicles are manufactured in the UK by Dunlop Suspensions and Components. During the year, two joint ventures with the Ford Motor Company were established in Coventry and Detroit (Dunlop Automotive Composites) to develop composite engine manifolds and other components



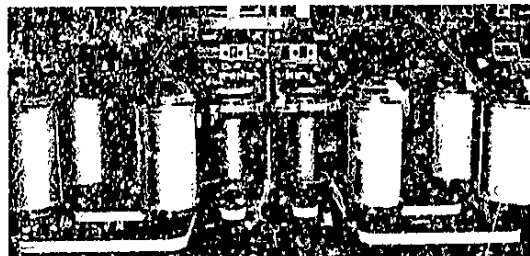
Schlegel and Hertfordshire-BTR are leading suppliers of door and glass sealing systems for cars, with a number of plants in North America and Europe.



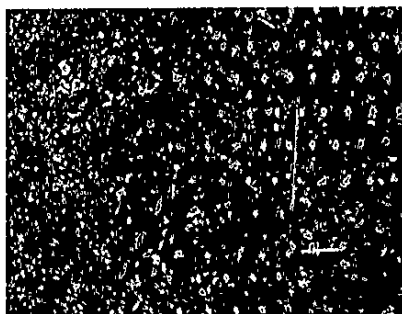
Metallastik Vibration Control Systems and **Pexadin** manufacture vibration control systems in the UK for automotive, rail, marine and offshore applications. **Cow Industrial Polymers** produces automotive mouldings, extrusions and hoses in the UK whilst **Dunlop Metaloflex** is a major hose producer in the Brazilian automotive market.



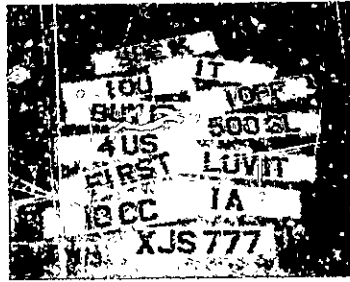
Fatati in Europe and **Kennedys**, Australia both produce moulded car carpets. The latter also produces yarn and domestic carpets.



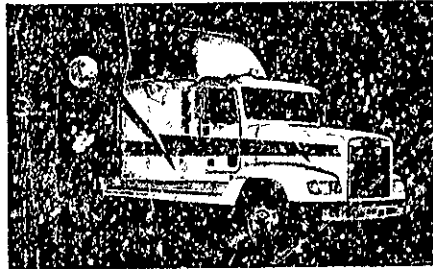
Dunlop Textiles produces tyre and industrial cord fabrics in the UK.



A wide range of engineered composite materials for automotive, aerospace, electrical and other industries is manufactured in the UK by **Permali**.



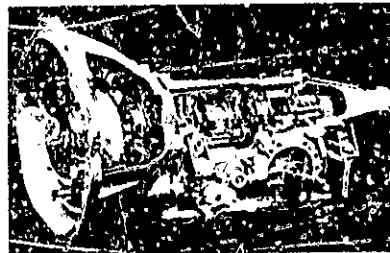
The foremost UK distributor of replacement radiators and vehicle number plates is **Serck Marston** with 94 outlets nationwide. There are also branches in the Middle East and USA.



Stewart-Warner Alemite is a leading USA manufacturer of automotive and industrial lubricating systems.



Dunlop Overseas, with companies in Zimbabwe, Zambia and Nigeria (associate) and **BTR Dunlop**, South Africa, manufacture tyres and related products for cars and commercial vehicles. The companies also manufacture a wide variety of other products including rail track, fasteners, flooring and adhesives.

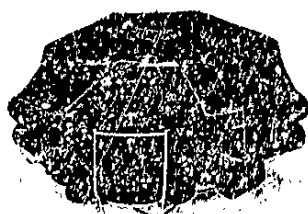


Australia's major manufacturer of axles and transmissions for the automotive industry is **BTR Engineering**. Unidrive manufactures automotive driveshafts, universal joints and constant velocity joints, also in Australia.

TRANSPORTATION



The international Dunlop Aerospace Group comprises eight companies. Dunlop Aviation is a major supplier of wheels and braking systems and other proprietary aircraft components. Its activities are complemented by Dunlop Aircraft Tyres and Dunlop-Eldec Electronics which manufactures electronic control units for aircraft brakes and de-icing systems. Other companies in the group include Dunlop Precision Rubber, the Haskon Corporation (aircraft seals and other components) and Serck Aviation (heat exchangers).



Beaufort Air Sea Equipment and Dunlop Marine Safety design and make life preservers, escape suits, life rafts and fenders in the UK and Canada for the marine, military and civil aeronautical and leisure markets.

PRINCIPAL OPERATING BUSINESSES

CONSTRUCTION



Tilcon has over 350 operational units in the UK providing a high quality service to the construction, building and other industries. Tilcon UK consists of four divisions: Quarry Products and Contracting, Concrete and Mortar, Industrial Minerals and Foundry Sands and Building Products.

CONSTRUCTION



Tilcon Inc. is a leading producer of crushed stone, ready-mixed cement and concrete in New England and the mid-Atlantic region. The company operates extensive contracting services, primarily engaged in repair and maintenance of the infrastructure.



Nylex Building Products serves Australia and the Pacific Rim. Of its subsidiaries, **Laminex Industries** manufactures and distributes decorative surfaces, substrata and complementary products. **ACI Fibreglass** produces fibreglass reinforcements and **ACI Insulation** manufactures fibreglass insulation. **ACI Laminates and Coatings** specialises in coverings for flexible foils, films and paper. **Eureka Tiles** manufactures floor tiles, while **ACI Timber** is a sawmiller.

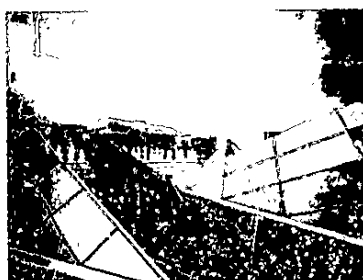


ACI Japan manufactures and imports adhesives. **Malaysia Roofing** produces pressed metal roof tiles and **ACI Asia** trades in South East Asia with offices in Singapore and Hong Kong.



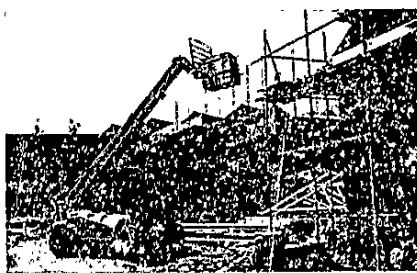
Amatek is a major manufacturer of building materials in Australia and the USA, particularly concrete products for civil engineering applications, quarrying and roll formed metal building components for the construction market.

CONSTRUCTION

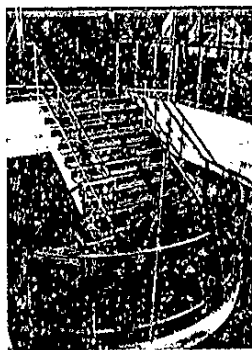


With over 130 locations in the South, mid-South, on the West Coast and Eastern USA, **ACI America** is a leading distributor of glass products.

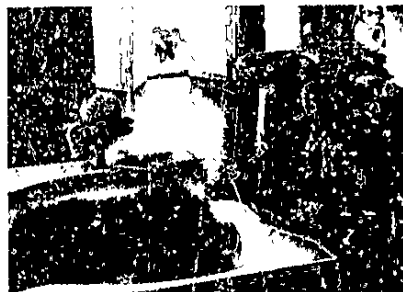
Supersky International is a leading American manufacturer of commercial skylight systems.



The **Pascon Group** in the UK incorporates **Palmer's Scaffolding**, **William R. Selwood** and **Croker**. Their main services and products are scaffolding, portable accommodation units, pumps and plant hire.

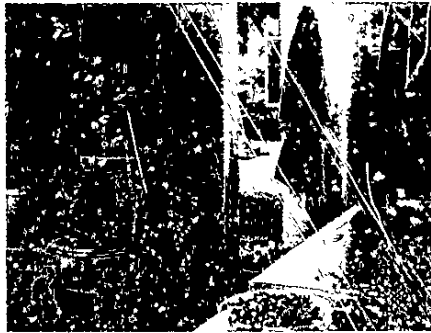


Specialised fittings for steel and aluminium tubular safety barriers, railings and display systems are manufactured by the **Kee Klamps Group** for industrial and commercial applications.



With over 140 branches supplying plumbing, central heating, kitchen, bathroom and decorative products to the building industry, **Graham Builders' Merchants** is one of the largest in the UK. **F.J. Reeves** is a timber importer, merchant and manufacturer of added value wood products. **Goodman Croggan** supplies wire fencing and a variety of other products to the agricultural and building markets. **George Boyd** distributes architectural and engineering products through 12 branches in Scotland.

CONSTRUCTION



Pilkington Tiles International is a major manufacturer of ceramic wall and floor tiles and other associated products with operations in the UK, South Africa, Australia and India supplying construction, consumer, and general engineering industries.



Schlegel produces a wide range of products including hardware and sealing systems for the international home improvement and construction sector.

In the USA and Canada, **Hamilton Kent** supplies pipe gaskets, pipe sealants and custom extrusions to the construction and general engineering industries.

PRINCIPAL OPERATING BUSINESSES

CONTROL SYSTEMS & ELECTRICAL



BTR Valve Group's manufacturing is concentrated primarily in Europe and the Americas with a network of distributors throughout the world. **Worcester Controls** manufactures high quality ball valves, control valves and actuators for the pharmaceutical, chemical and other industries; **Serek Audeo**, **Deutsche Audeo** and **Nordstrom Valves** make valves used in the oil and gas industries; **McCanna** makes top entry ball valves and **Edward Valves** makes high pressure valves for use in power generation. The group also includes **Wilsons Foundry** which produces castings for the valve industry.

CONTROL SYSTEMS & ELECTRICAL



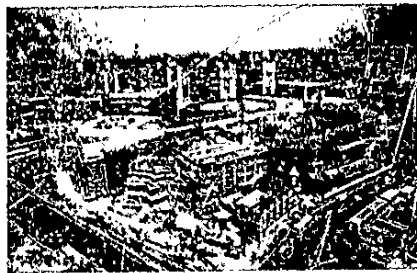
BTR Metering Group comprises five companies. **Sensus Technologies** is the leading supplier of clean water measurement equipment in North America. **Equimeter** is a major US manufacturer of meters, regulators and electronic instrumentation for the production, transmission and distribution of natural gas. **Smith-Blair** manufactures pipe repair clamps and couplings used in water and gas transmission for distribution systems. The other companies in the group are **BTR Precision Die Casting** and **BTR Valve Sealants**.



Manufacturing electromechanical cable, steel wire and fibre optics in the USA, the **Rochester Corporation** supplies the oil, communications and defence industries.

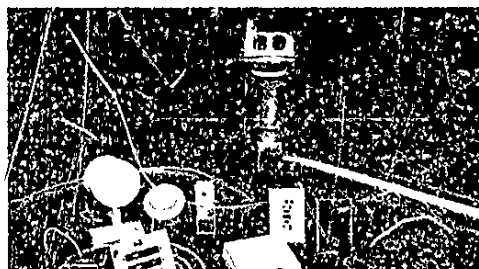


A joint venture with **Coflexip France**, **Dunlop Coflexip Umbilicals** supplies hydraulic and electro-hydraulic subsea umbilical systems for the offshore oil and gas industries.



Newey and Eyre is the leading UK wholesale distributor of industrial and commercial electrical equipment with 189 branches. It also has companies in Hong Kong, Malaysia and Singapore. **Wellco** distributes electrical accessories and decorative lighting products to the UK home improvements and DIY markets.

CONTROL SYSTEMS & ELECTRICAL



Summers Electric is a leading wholesale distributor, with 79 branches in South and South West USA.

PRINCIPAL OPERATING BUSINESSES

CONSUMER RELATED



Dunlop Slazenger International is a major worldwide supplier of high technology sporting equipment. With plants in the UK, West Germany, USA and the Far East, Dunlop produces and markets golf, tennis and squash equipment and accessories. It is also a leading supplier of sports, leisure and industrial footwear.



Slazenger has plants in the UK and West Germany, manufacturing a range of specialist sports products including tennis, golf, cricket and hockey equipment. Its name is also licensed around the world to manufacturers of high quality clothing. Carlton produces badminton equipment.

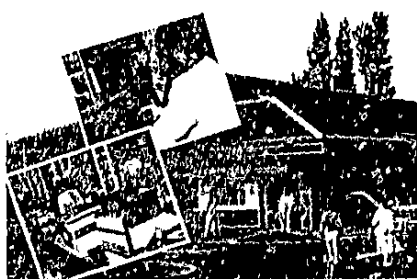
CONSUMER RELATED



Dunlop Slazenger International has a licence to manufacture and distribute Puma sports footwear, clothing and equipment in the UK.



The leading UK producer of ladies' hosiery, Pretty Polly has manufacturing facilities in the UK and Eire.



ADS Anker manufactures electronic point-of-sale (EPOS) systems for retailers, restaurants, hotels, filling stations and banks. The group is headquartered in West Germany and operates in all the major European countries.

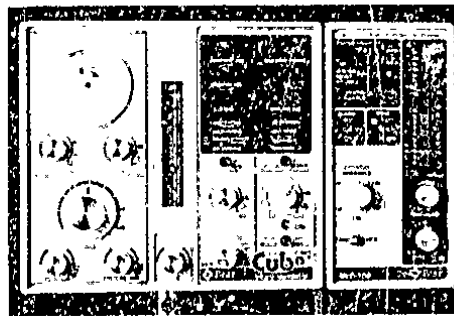


The Nunc Group is a leading manufacturer of disposable laboratory plastics for immunology and diagnostic applications. It has manufacturing plants in Denmark and USA and distribution companies in Japan and Germany.

CONSUMER RELATED



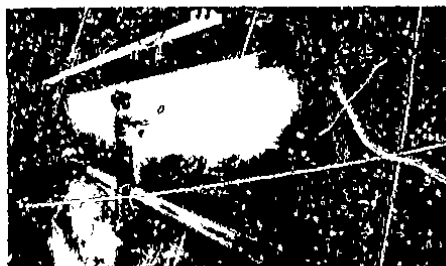
Viennatone manufactures hearing aids, audiometers and speech therapy products. Its headquarters are in Austria with distribution companies in the UK, France, West Germany and South Africa. The **Healthcare Group's** other rehabilitation companies are **Vessa**, providing prosthetic services, artificial limbs and wheelchairs in the UK and **Hosmer Dorrance** manufacturing artificial limbs and orthopaedic appliances in the USA.



Bear Medical in the USA is a leading supplier of critical care ventilation equipment. **Penlon** in the UK manufactures anaesthesia machines and ventilators.



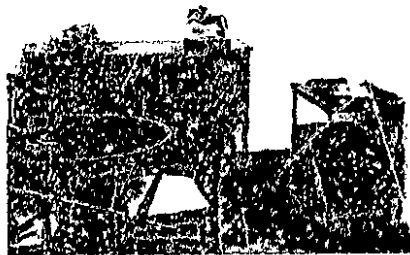
The **ACI Packaging Group** comprises two divisions. The **Glass Division** is Australia's major manufacturer of glass containers and produces goods for the brewing, beverage and pharmaceutical industries. It also has plants in South East Asia and New Zealand. The **Plastics Division** is a leading Australian manufacturer of blow moulded bottles, PET bottles and food containers for pharmaceutical, personal care, food and motor oil markets.



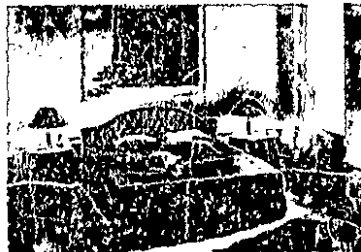
BTR Paper Group has 42 factories worldwide and produces consumable products used in paper making. **Huyck** has manufacturing plants in 9 countries and produces paper machine forming fabrics, press felts, dryer fabrics and paper machine wet end equipment. **Stowe Woodward** has 20 plants and manufactures and services rubber, elastomeric and polyurethane paper roll coverings. **Mount Hope** produces curved rolls, tension control systems, automatic web straighteners and web guiding equipment.



The manufacture of offset printers' blankets and specialised products for the graphic arts industry is handled by Dunlop Graphic Products and Cow Proofings in the UK and Dunlop Industrial in Brazil.



The UK Rest Assured Group is headed by Rest Assured itself, which manufactures beds and upholstered furniture. Other subsidiaries are William Lawrence (cabinet furniture and wood components to the domestic appliance and car industry); G.T. Rackstraw (high quality reproduction 18th Century furniture) and Bridgecraft Furniture (reproduction Regency cabinet and traditional and modern upholstered furniture).



Dunlopillo manufactures in the UK and Germany, mattresses, pillows, beds, latex blocks and automotive seating, while Dunloplan produces PVC flooring and marine decking in Germany.



Specialising in the production and marketing of commercial furniture, furniture systems, modular carpet and operable partitioning, the Commercial Interiors Group manufactures in Australia, New Zealand and the USA. It also maintains a marketing presence in South East Asia and Canada. The commercial furniture range is comprehensive, from steel cabinets to hand crafted executive suites.

FINANCIAL INFORMATION

Sales and profit change	Sales		Trading profits	
	£m	% of change	£m	% of change
1988	5473		914	
Organic growth	339	22	156	48
Acquisitions	1194	77	139	43
Divestments	(301)	(19)	(18)	(6)
Currencies	320	20	48	15
Total change	1552	100	325	100
1989	7025		1239	

Geographical distribution 1989

percentage	Sales	Trading profits	Capital employed
United Kingdom	32	31	25
Other Europe	10	6	6
Americas	26	26	25
Pacific	28	33	42
Africa	4	4	2
	100	100	100

Net assets by currency area at 31 December

£ millions	1989 Net assets	1988 Net assets	movement
Sterling	1047	793	254
Other Europe	167	111	56
Americas	170	305	(135)
Pacific	933	714	219
Africa	97	73	24
	2414	1996	418

Exchange rates at 31 December

	1989	1988
£1 equivalent		
United States \$	1.61	1.81
Australian \$	2.04	2.12
Taiwanese \$	42.20	50.47
South African Rand	4.11	4.30
West German Mark	2.73	3.21
Japanese Yen	232	226
Swiss Franc	2.49	2.72

FINANCIAL INFORMATION

	Europe	West	East	Total
Revenue cash flow 1989				
£ millions				
Pre-tax profits	435	266	379	1080
Depreciation	88	60	69	217
Taxation	(111)	(82)	(104)	(297)
	412	244	344	1000

Geographical balance sheet at 31 December 1989

£ millions				
Capital employed				
Fixed assets	679	632	1369	2680
Other assets (net)	416	237	192	845
	1095	869	1561	3525
Financed by				
BTR shareholders	861	393	343	1597
Minority shareholders	43	67	707	817
Net debt	191	409	511	1111
	1095	869	1561	3525

Employee Statistics 1989

Sales per employee	£000	60.7	79.0	59.3	64.2
Sales/employee costs	times	4.6	3.9	5.1	4.5
Trading profits					
per employee	£000	9.5	13.8	12.2	11.3
Capital employed					
per employee	£000	22.6	37.0	41.6	32.2
Average number by region					
United Kingdom		38864			
Other Europe		9650			
Americas			23486		
Pacific				27803	
Africa				9698	
		48514	23486	37501	109501

Ordinary Shareholdings at 31 December

Size of holding	1989 Accounts	1988	1989 Shares (millions)	1988
1-2000	84127	80207	70	63
2001-10000	30430	30566	125	125
10001-100000	6151	6395	165	170
100001-1000000	959	984	303	305
1000001-2000000	105	97	147	136
2000001 and over	117	118	927	898
	121899	118367	1737	1697

For the purpose of Capital Gains Tax, the value of a BTR Ordinary Share on 31 March 1982 adjusted for capitalisation and warrant issues was 72.197p.

DIRECTORS' REPORT

RESULTS

The audited accounts of the group for the year ended 31 December 1989 are set out on pages 41 to 57. Earnings for the year were £624m (£486m). A review of the group's activities during the year is given on pages 10 to 21, which should be read as part of this report.

DIVIDENDS

The directors recommend that a final dividend of 8.3p net per share be paid on 24 May 1990 to ordinary shareholders on the register on 5 April 1990. With the interim dividend paid on 28 November 1989, this makes a total of 15.0p net for the year.

SHARES

Details of shares issued and options granted during the year are shown in notes 23 and 28 respectively to the accounts.

ACQUISITIONS & DISPOSALS

During the first quarter of 1989, a number of important acquisitions were completed. In January, BTR Dunlop Inc acquired the US-based environmental seal business, Schlegel Corporation, for US\$200m, and BTR Nylex bought Feltrax International, a large New Zealand building products business, for NZ\$935m. In March, BTR Dunlop Inc completed the purchase from Rockwell of its Measurement and Flow Control business for US\$437m.

Later in the year, some smaller purchases were completed, including the Scovill fastener business in Japan (A\$95m). During the early part of 1990, the acquisitions of the UK vehicle seat manufacturer, T I Cox, and the German valve and hose business, Argus, have been completed for considerations of £13.5m and DM106m respectively.

During the year, a number of businesses were sold. The main

disposals with proceeds were as follows:

National Tyre Service	£140m
Angus Fluid Seals	£18m
Marbon Chemicals	A\$44m

NORTON COMPANY

On 16 March, 1990 BTR announced a cash tender offer of US\$1,643 million (approx) for Norton Company of Worcester, Massachusetts, USA, a leading world manufacturer of abrasives, advanced ceramics, performance plastics and chemical process products.

GENERAL INFORMATION

The group's principal activities are set out on pages 22 to 37. Our policy is that each business should be operated by its own management team within group parameters. The board believes that this policy facilitates the continuous pursuit of growth opportunities by each business. Information concerning employees and their remuneration is given in note 4 to the accounts. Throughout the group, consultative procedures enable management and other employees to discuss matters of mutual interest. Through these procedures, departmental channels and the group magazine 'Grapevine', employees are kept informed about group affairs. Participation in the Company's SAYE share option scheme is encouraged. It is the Company's policy to encourage the employment, training and advancement of disabled persons. The Company's return under the EEC Voluntary Code on South Africa is available on request. Group donations to charities during 1989 were £11,100. The Company maintains with underwriters a policy indemnifying the directors and officers against loss attaching to legal liabilities.

As at 15 March 1990, no person held 5% or more of the Company's issued share capital.

BOARD OF DIRECTORS

A list of the directors at the year end and details of their interests in BTR shares, warrants and share options are given on page 58.

Mr. W. D. T. Tapley served as a director until his retirement at the conclusion of the Annual General Meeting on 12 May 1989.

Sir Owen Green, Mr. A. R. Jackson and Mr. H. W. Laughland retire in accordance with Article 86 and offer themselves for re-election. Sir Owen Green has a service contract terminable by his giving one year's notice of termination. Mr. A. R. Jackson is entitled under his service contract to two years' notice of termination.

No director was interested during or at the end of the year in any contract which was significant in relation to the company's business.

SPECIAL BUSINESS

A separate letter describing changes proposed to be made to the group's share option schemes is enclosed with this Annual Report. A resolution embodying the proposals will be put forward as special business at the Annual General Meeting.

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on 1 September 1989 and now practice in the name of Ernst & Young. Accordingly they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be moved at the Annual General Meeting.

By order of the Board
S. K. Williams, Secretary
29 March 1990

S. Williams

ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accounts have been prepared using the historical cost convention adjusted for revaluations of certain fixed assets.

BASIS OF CONSOLIDATION

The consolidated profit and loss account and balance sheet incorporate the audited accounts of all subsidiaries for the year ended 31 December 1989. The consolidated profit and loss account includes the results of subsidiaries acquired during the year from their effective dates of acquisition.

Related companies are companies other than subsidiaries where the group has a substantial shareholding and is in a position to exercise significant influence. The consolidated accounts include the group's share of the post acquisition reserves of all such companies and of the wholly owned BTR Nylex Ltd subsidiary Bridge Wholesale Acceptance Corporation (Australia) Ltd.

The difference between the price paid for new interests and the fair value of assets acquired is either taken to reserves on acquisition or amortised over its economic life, depending on the nature of the acquisition.

FOREIGN CURRENCIES

The results of non-sterling companies are translated into sterling at rates ruling at the year end. Assets and liabilities in foreign currency are also translated at rates ruling at the year end.

Currency differences arising from the translation at closing rates of the net investment in subsidiary and related companies are taken to reserves, together with exchange gains and losses arising on foreign currency borrowings which finance a proportion of foreign currency investments.

All other adjustments arising from changes in exchange rates are included in the profit and loss account for the year.

SALES TURNOVER

Sales represent the invoiced value of goods supplied by the group excluding inter-company transactions, sales by related companies and sales taxes.

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.

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.

DEPRECIATION OF TANGIBLE FIXED ASSETS

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

Buildings 2-5%

Plant and machinery 10-35%

Quarries are depreciated according to the usage of their mineral content. No depreciation is provided on land. Leasehold properties are depreciated over the period of the lease.

INVENTORIES OR STOCKS

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost com-

prises 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 and for unrealised profits on items of inter-company manufacture.

LOAN CAPITAL AND BANK LOANS

Short term deposits at the balance sheet date are deducted from loan capital and bank loans where rights of set-off exist.

TAXATION

Provision for deferred taxation is made for liabilities which may arise in the foreseeable future. Provision is not made for additional taxation which might be payable if profits retained by overseas companies were distributed as dividends. Advance corporation tax on dividends paid and proposed is written off to the extent that its recovery against taxable profits is not anticipated. Amounts so written off are carried forward for taxation purposes and may be offset against taxation of subsequent periods.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

year ended 31 December 1989

£ millions	1989	1988	Notes
Sales turnover	7025	5473	1
Operating expenses	(5843)	(4601)	2
Other income	59	42	6
Trading profit before interest and taxation	1239	914	
Finance costs	(159)	(94)	7
Profit on ordinary activities before taxation	1080	820	1
Taxation	(297)	(230)	8
Profit after taxation	783	590	
Minority interests	(159)	(104)	
Earnings for the year	624	486	
Extraordinary items	36	(15)	9
Attributable to BTR plc	660	471	
Dividends	(261)	(203)	10
Retained profit	399	268	24
Movements on reserves are set out in note 24			

Earnings per ordinary share	36.1p	28.7p
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Earnings per ordinary share are calculated on earnings of £624 million (1988 £486 million) and 1727 million (1988 1693 million) ordinary shares in issue, which is the average for the year.

CONSOLIDATED BALANCE SHEET

at 31 December 1989

£ millions	1989	1988	Notes
Capital Employed			
Fixed assets			
Tangible assets	2520	1540	12
Investments	160	154	13
	<u>2680</u>	<u>1694</u>	
Current assets			
Inventories or stocks	1185	920	15
Accounts receivable or debtors	1462	1193	16
Investments	76	73	13
Cash	642	757	
	<u>3365</u>	<u>2943</u>	
Accounts payable or creditors due within one year	2644	1864	17
Net current assets	<u>721</u>	<u>1079</u>	
Total assets less current liabilities	<u>3401</u>	<u>2773</u>	
Accounts payable or creditors due after one year	904	709	18
Provisions for liabilities and charges	83	68	22
	<u>2414</u>	<u>1996</u>	
Financed by			
Capital and reserves			
Called up share capital	434	424	23
Reserves			24
Share premium account	358	262	
Revaluation reserve	143	20	
Currency equalisation account	(102)	(178)	
Profit and loss account	764	837	
	<u>1597</u>	<u>1365</u>	
Shareholders' funds	<u>1597</u>	<u>1365</u>	
Minority interests	817	631	25
	<u>2414</u>	<u>1996</u>	

Approved by the Board on 13 March 1990

Owen Green Director

John Cahill Director

BALANCE SHEET

of BTR plc
at 31 December 1989

£ millions	1989	1988	Notes
Capital Employed			
Fixed assets	1974	1694	13
Investments			
Current assets	685	818	16
Accounts receivable or debtors	55	51	13
Investments			
	740	869	
Accounts payable or creditors due within one year	1350	1092	17
Net current liabilities	(610)	(223)	
Total assets less current liabilities	1364	1471	
Accounts payable or creditors due after one year	175	403	18
	1189	1068	
Financed by			
Capital and reserves	434	424	23
Called up share capital			24
Reserves	358	262	
Share premium account	87	87	
Capital reserve	310	295	
Profit and loss account			
	1189	1068	

Approved by the Board on 13 March 1990
Owen Green Director

John Cahill Director

The amount of the profit for the year dealt with in the accounts of the parent company is £276 million (1988 £205 million). BTR plc has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985.

NOTES

	£ millions	Consolidated		Consolidated	
		1989	1988	1989	1988
1	Sales and profit before taxation				
	Business sector				
		Sales		Profit	
	Industrial	1310	1171	213	210
	Transportation	946	846	196	146
	Construction	1979	1375	329	227
	Control Systems and Electrical	1077	883	136	94
	Consumer related	1713	1198	365	237
	Finance costs			(159)	(94)
		7025	5473	1080	820
	Geographical analysis				
	Europe	2944	2797	459	401
	West	1856	1134	324	182
	East	2225	1542	456	331
	Finance costs			(159)	(94)
		7025	5473	1080	820

The above figures include a restatement of 1988 results due to a reclassification of certain operations.

2	Operating expenses		
	Changes in inventories of finished goods and work in progress	(52)	(58)
	Raw materials and consumables	3164	2566
	Employee costs (note 4)	1551	1196
	Depreciation	217	145
	Other operating expenses	965	752
		5845	4601
	Other operating expenses are stated after charging:		
	Auditors' remuneration	7	6
	Hire of plant and machinery	17	30
	Other operating lease rentals	20	18

3 Research and development

During the year expenditure on the development of new products and processes amounted to £65 million (1988 £55 million). Of this amount £50 million (1988 £45 million) has been charged in the profit and loss account and £15 million (1988 £10 million) has been capitalised in tangible fixed assets, relating to the provision of facilities for development activities.

NOTES

	£ millions	Consolidated	
		1989	1988
4 Directors and employees			
Average number of persons employed by the group during the year			
Europe		48,514	52,866
West		23,486	15,558
East		37,501	30,196
		109,501	98,620

Employee costs			
Wages and salaries		1332	1048
Social security costs		142	99
Pension costs		30	18
Other		47	31
		1551	1196

Number of U.K. employees in receipt of emoluments within ranges:

	1989	1988		1989	1988
£30,001-£35,000	82	57	£70,001-£75,000	2	1
£35,001-£40,000	66	38	£75,001-£80,000	1	1
£40,001-£45,000	30	15	£80,001-£85,000	2	1
£45,001-£50,000	19	13	£85,001-£90,000	3	
£50,001-£55,000	15	5	£90,001-£95,000	1	
£55,001-£60,000	14	3	£95,001-£100,000	1	
£60,001-£65,000	9	3	£105,001-£110,000	1	
£65,001-£70,000	7	6			

Aggregate amount receivable by directors of BTR plc:	£000	£000
Fees	22	31
Other emoluments:		
U.K. based directors	805	885
Overseas based directors	1467	1184
	2294	2100

Directors' emoluments (excluding pension contributions):

Chairman	173	152
Highest paid U.K. based director (1989 two directors)	179	156

Number of other U.K. directors within ranges:

	1989	1988		1989	1988
£0 -£5,000		1	£75,001-£80,000		1
£5,001 -£10,000	1		£90,001-£95,000	1	
£10,001 -£15,000		1	£130,001-£135,000	1	
£15,001 -£20,000	1		£140,001-£145,000		2
£25,001 -£30,000		2	£150,001-£155,000		1
£45,001 -£50,000	1				

NOTES

	£ millions	Consolidated	
		1989	1988
5 Pension arrangements			
<p>The provisions of SSAP 24 have been adopted with effect from 1st January 1989. The group operates many defined contribution and funded defined benefit schemes. Contributions to the defined benefit funds are made in accordance with the recommendations of the independent actuary of the relevant scheme. Complete disclosure of all pension scheme details is not practicable within this report. The most pertinent factors affecting the group's pension arrangements are discussed below.</p> <p>Pension costs for the group in the year were £30 million, based on a normal cost of £66 million and an actuarial variation of £36 million.</p> <p>The principal group scheme, covering the majority of UK employees, is a funded defined benefit scheme. The assessment of the scheme by independent actuaries as at 6th April 1988 was updated in assessing the cost of this scheme to the group, using the principal assumption that the average long term rate of return earned by scheme assets would be 2% per annum higher than the rate of salary inflation. The attained age funding method was adopted. The market value of the scheme's assets was £1,060 million and the actuarial value of the assets was sufficient to cover 153% of the benefits that had accrued to members after allowing for expected increases in earnings. The actuarial surplus is being spread over the average remaining service life of current employees, (estimated at 15 years) as a percentage of Pensionable Salary reduction.</p> <p>There are numerous schemes operated by overseas subsidiaries. Of these the defined benefit schemes are normally assessed triennially by independent actuaries in accordance with local practice. Where SSAP 24 requirements can be fulfilled, the appropriate cost has been recognised, otherwise local practice has been adopted.</p>			
6 Other income			
Group's share of profits less losses of related companies:			
Listed in U.K.		5	4
Listed overseas		3	2
Unlisted		35	28
Income from listed investments		7	5
Income from other investments		9	3
		<u>59</u>	<u>42</u>
7 Finance costs			
Interest payable on bank loans, overdrafts and other loans:			
Repayable within five years		252	137
Repayable beyond five years		7	14
Interest capitalised		(12)	(7)
		<u>247</u>	<u>144</u>
Interest receivable		(88)	(50)
		<u>159</u>	<u>94</u>

NOTES

	£ millions	Consolidated	
		1989	1988
8 Taxation			
United Kingdom corporation tax at 35%		101	181
Double tax relief		(37)	(126)
		64	55
Overseas tax		191	154
Deferred tax		32	4
Related companies tax		10	11
		297	224
Advance corporation tax written off			6
		297	230

The charge for corporation tax has been reduced by the utilisation of losses brought forward and other timing differences.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply.

9 Extraordinary items			
Profit/(loss) on disposal or termination of businesses	36	(17)	
Related companies		(1)	
Other		3	
	36	(15)	

The above figures include a taxation charge of £17 million (1988 credit of £2 million) and a minority interests credit of £1 million (1988 charge of £9 million).

10 Dividends			
Paid	117	90	
Proposed	144	113	
	261	203	

11 Operating lease commitments

Commitments for rentals payable under operating leases during 1990 are given in the table below analysed according to the period in which each lease expires:

	Land and Buildings		Other	
	1989	1988	1989	1988
expiring:				
within one year	5	4	2	2
over one and under five years	25	16	9	6
beyond five years	17	13	1	1
	47	33	12	9

NOTES

£ millions		Consolidated 1989		
12	Tangible assets	Land and buildings	Plant and machinery	Total
	Cost or valuation			
	Beginning of year	613	1440	2053
	Currency fluctuations	46	132	178
	Acquisitions less divestments	173	306	479
	Transfer to investments	(11)		(11)
	Additions	47	402	449
	Disposals	(30)	(71)	(101)
	Revaluations	162	(77)	85
	End of year	1000	2132	3132
	Accumulated depreciation			
	Beginning of year	48	465	513
	Currency fluctuations	6	57	63
	Acquisitions less divestments		68	68
	Transfer to investments	(2)		(2)
	Charge for the year	16	201	217
	Disposals	(3)	(59)	(62)
	Revaluations	(13)	(172)	(185)
	End of year	52	560	612
	Net book value at beginning of year	565	975	1540
	Net book value at end of year	948	1572	2520

Certain tangible fixed assets of BTR Nylex Ltd and the land and buildings of BTR Dunlop Ltd, were revalued in the year by independent professional valuers on an open market existing use basis.

The historic cost of tangible fixed assets is as follows:

	Land and buildings	Plant and machinery	Total
Cost	820	2209	3029
Accumulated depreciation	63	732	795
Net book value at beginning of year	545	975	1520
Net book value at end of year	757	1477	2234

The net book value of land and buildings comprises:	1989	1988
Freehold	763	425
Long leasehold	24	24
Short leasehold	35	30
Quarries and mineral rights	126	86
	948	565

Interest capitalised in the year amounted to £12 million.

NOTES

£ millions

1989

13 Investments

Consolidated	Related companies			Other Cost or valuation	Total
	Cost or valuation	Share of reserves	Loans		
Beginning of year	148	(5)	3	81	227
Currency fluctuations	12	(1)		1	12
Transfer from tangible assets				9	9
Acquisitions less divestments	4				4
Additions	8			8	16
Disposals and repayments	(5)	(4)		(14)	(23)
Reclassification	(28)			28	
Businesses consolidated	(11)				(11)
Goodwill		(6)			(6)
Retained profits		8			8
End of year	128	(8)	3	113	236
Cost or valuation					
Listed U.K.	14			55	69
Listed overseas	6			9	15
Other	108			49	157
	128			113	241
BTR plc	Subsidiary companies	Related companies		Other	Total
Cost or valuation					
Beginning of year	680	27		51	758
Additions				4	4
End of year	680	27		55	762
Loans (1988 £989 m)	1269				1269
Provisions (1988 £(2) m)	(2)				(2)
	1947	27		55	2029
Cost or valuation					
Listed U.K.		27		55	82

The total market value of listed investments was £110 million (parent company £96 million). Included in other investments are investments at directors' valuation amounting to £49 million (parent company £nil million). Total investments are shown as fixed assets £160 million (parent company £1974 million) and current assets £76 million (parent company £55 million).

The principal related company is Meggitt Holdings PLC (total issued share capital 154 million ordinary shares of 5p each) in which the group has an 18% share and is represented on the board of directors.

The equity accounted subsidiary of BTR Nylex Ltd, Bridge Wholesale Acceptance Corporation (Australia) Ltd has net assets of £9 million, representing gross assets of £159 million and gross liabilities of £150 million.

NOTES

	£ millions	IVTR plc		Consolidated	
		1989	1988	1989	1988
14 Capital commitments					
Authorised but not contracted				175	214
Contracted				105	65
15 Inventories or stocks					
Raw materials				309	189
Work in progress				219	189
Finished goods				661	563
				1189	941
Progress payments received				(4)	(21)
				1185	920
Replacement cost				1227	945
16 Accounts receivable or debtors					
Trade				1085	866
Amounts due by related companies				3	3
Amounts due by group companies	576	734			
Other receivables and prepayments	109	84		374	324
	685	818		1462	1193
Including amounts due in over one year	136	120		150	91
17 Accounts payable or creditors due within one year					
Overdrafts, bank and other loans	345	685		929	495
Trade				675	606
Other payables, accruals and deferred income	2	5		538	369
Amounts due to group companies	773	221			
Taxation and social security (note 19)	86	67		338	263
Bills of exchange				20	17
Proposed dividend	144	114		144	111
	1350	1092		2644	1864
18 Accounts payable or creditors due after one year					
Debenture, bank and other loans (note 20)		100		824	656
Taxation and social security				14	18
Other payables				66	35
Amounts due to group companies	175	303			
	175	403		904	709
19 Taxation and social security					
Includes advance corporation tax payable	86	67		86	67

NOTES

	£ millions	BTR plc		Consolidated	
		1989	1988	1989	1988
20	Debenture, bank and other loans				
	Debenture loans repayable otherwise than by instalments within five years				
	8% debenture stock 1985/90				8
	8½% unsecured loan stock 1989/94 wholly beyond five years			16	
	8½% unsecured loan stock 1989/94				16
	4¼% convertible subordinated bonds 1995		100		100
	Bank and other loans repayable otherwise than by instalments				
	wholly within five years			696	392
	wholly beyond five years			19	53
	by instalments				
	within five years			26	18
	beyond five years				
	instalments due within five years			28	43
	instalments due beyond five years			39	33
			100	824	663
	Redeposits				(7)
			100	824	656
	Debenture, bank and other loans repayable				
	over one and under two years			563	281
	over two and under five years			203	180
	beyond five years		100	58	202
			100	824	663
	Redeposits				(7)
			100	824	656

The above loans are at interest rates between 5.7% and 20.5%.

Loans amounting to £89 million (1988 £51 million) are secured.

Included within overdrafts, bank and other loans payable within one year is £8 million 8% debenture stock 1985/90.

21 Contingent liabilities

Guarantees to related companies and bills of exchange discounted amounted to £11 million (1988 £15 million).

The parent company has guaranteed the borrowings of certain subsidiaries amounting to £144 million (1988 £156 million).

The group has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

NOTES

	£ millions	Consolidated 1989
22 Provisions for liabilities and charges		
Pensions and similar obligations		
Beginning of year		50
Acquisitions		19
Other movements		(12)
End of year		57
Deferred taxation		
Beginning of year		33
Acquisitions		(11)
Profit and loss account		32
Extraordinary items		(2)
Transfer to current taxation		(8)
Other adjustments		1
End of year		45
Advance corporation tax (1988 £(15) million)		(19)
		26
Provisions for liabilities and charges		83

	Provided		Potential liability	
Consolidated deferred taxation				
Capital gains	7	4	30	33
Capital allowances	7	7	156	88
Other items	31	22	8	8
	45	33	194	129
Advance corporation tax	(19)	(15)	(55)	(45)
	26	18	139	84

23 Share Capital	1989	1988
Authorised:		
Ordinary shares of 25p	560	560
Issued and fully paid:		
Beginning of year	424	423
Options exercised and scrip dividends	1	1
ECU Bond conversion	9	
End of year	434	424

At 31 December 1989, the number of ordinary shares in issue was 1,737,482,928 (1988 1,696,615,400) and there were outstanding:

- (a) 51,408,438 warrants issued on 18 November 1988 and carrying the right to subscribe for 51,408,438 ordinary shares at a subscription price of 285p each during subscription periods in 1992 and 1993;
- (b) 52,635,792 warrants issued on 17 November 1989 and carrying the right to subscribe for 52,635,792 ordinary shares at a subscription price of 480p each during subscription periods in 1993 and 1994.

NOTES

£ millions		1989		
24	Reserves			
	Consolidated	Share premium account	Revaluation reserve	Currency equalisation account
		262	20	(178)
	Beginning of year			837
	Currency fluctuations			102
	- net assets			(26)
	- long term borrowings			
	Premium on shares issued	96		(476)
	Goodwill (note 27)		127	
	Revaluations		(2)	2
	Depreciation transfer		(2)	2
	Disposals			399
	Retained profit			764
	End of year	358	143	(102)

Relevant reserve movements are stated after adjusting for the minorities share.

BTR plc	Share premium account	Capital reserve	Profit and loss account
Beginning of year	262	87	295
Premium on shares issued	96		15
Retained profit			310
End of year	358	87	

The directors consider that of the £310 million (1988 £295 million) profit and loss account of BTR plc £294 million (1988 £264 million) is fully distributable.

25 Minority interests

	Consolidated	
	1989	1988
Minorities share of net assets of subsidiaries	489	317
Preference shares	209	202
Non-maturing Convertible Notes	119	112
	817	631

BTR Australia Ltd Cumulative Redeemable Preference shares are redeemable on 31 March 1999 or, at the option of either the investor or the issuer, on 31 March 1992, and amounted to £196 million (1988 £189 million).

The minority share of BTR Nylex Ltd's issue of 9% Non-maturing Subordinated Convertible Unsecured Notes amounts to £119 million (1988 £112 million). The notes have no maturity date and are redeemable only at BTR Nylex Ltd's option and only after 1 November 1998.

NOTES

	£ millions	Consolidated	
		1989	1988
26 Sources and applications of funds			
Sources			
Profit before taxation		1080	820
Extraordinary items		52	(7)
Adjustment for non-cash items			
Depreciation		217	145
Profits retained in related companies		(18)	(18)
Profit on businesses divested		(95)	1
Proceeds of conversion/share issues		100	4
Minority share of rights and convertibles			246
Loans raised		387	283
Preference shares			189
		1723	1663
Applications			
Capital expenditure		449	301
Capital disposals		(39)	(27)
Investments net of divestments			
Businesses (see below)		675	434
Others		(18)	(17)
Working capital			
Inventories		47	28
Accounts receivable		(98)	86
Accounts payable		174	43
Loans repaid		374	164
Dividends			
BTR plc		225	177
Minorities		39	25
Taxation		247	208
Other movements		(13)	17
		2062	1439
(Decrease)/increase in liquid funds		(339)	224
Net effect of businesses acquired and divested in year			
Tangible assets		411	266
Investments		4	73
Inventories		174	159
Accounts receivable		315	166
Accounts payable		(384)	(303)
Goodwill & (profit)/loss on disposal		375	192
Loans		(154)	(191)
Taxation		(8)	(36)
Minority interests		103	72
Liquid funds		(161)	36
		675	434

NOTES

£ millions	Consolidated 1989		
27 Acquisitions			
Acquisitions completed in the year were as follows:			
	Consideration and costs	Fair value of assets acquired	Goodwill
Feltrax	346	60	286
Measurement & Flow Control Division	282	165	117
Others (including Schlegel Corporation)	231	50	181
	<u>859</u>	<u>275</u>	<u>584</u>
Minority share of goodwill			(114)
Goodwill arising in related company			<u>6</u>
Goodwill eliminated against reserves (note 24)			<u>476</u>

Adjustments have been made to reflect the fair value of assets acquired as follows:

	Net tangible assets acquired	Fair value adjustments	Fair value of assets acquired
Fixed assets	375	102	477
Inventories	213	(4)	209
Other current assets	395	(3)	392
Creditors and provisions	(681)	(122)	(803)
	<u>302</u>	<u>(27)</u>	<u>275</u>

included in fair value adjustments for creditors and provisions is £81 million of reorganisation provisions.

28 Share options

On 26 April 1989, options in respect of 2,435,000 shares, exercisable after three years at 360p, were granted under the Senior Executive Share Option Scheme (1985), and on 27 April 1989, options in respect of 596,500 shares, exercisable after three years at 374p, were granted under the Senior Executive Share Options Scheme (1981). On 6 November 1989, options in respect of 2,483,998 shares exercisable after five or seven years at 362.4p, were granted under the SAYE Share Option Scheme (1981). Changes during the year in the number of options outstanding under the Schemes were:

	Senior Executive Share Option Schemes	SAYE Share Option Scheme
Beginning of year	11,635,050	12,133,450
Granted	3,031,500	2,483,998
Exercised	(2,186,350)	(1,338,228)
Lapsed	(1,735,800)	(919,825)
End of year	<u>10,744,400</u>	<u>12,379,395</u>

PRINCIPAL SUBSIDIARIES & DIVISIONS

The major management companies, operating subsidiaries and divisions analysed by activity are listed below. Unless otherwise stated, shares held are ordinary shares and the percentage held is 100%. The country of incorporation is the country of operation.

Management & Holding Companies					
	BTR Dunlop Inc.	USA	Hertfordshire-BTR	UK	
	BTR Dunlop Ltd.	South Africa	International Radiator Services Ltd.	UK	70%
53%	BTR Finance BV	Netherlands	Metalastik Vibration Control Systems	UK	
	BTR Nylex Ltd.	Australia	Permali	UK	
63%	BTR Industries Ltd.	UK	Schlegel Corporation	USA	
	BTR International Ltd.	UK	Stewart-Warner Corporation	USA	
	Dunlop Holdings plc	UK	Construction		
	Thomas Tilling plc	UK	ACI Fibreglass*	Australia	
			Allsteel Inc.*	USA	
			Amatek Ltd.*	Australia	
			Binswanger Glass*	USA	
			Graham Building Services Ltd.	UK	
			Laminex Industries*	Australia	
			Pascon	UK	
			Pilkington's Tiles Holdings Ltd.	UK	
			Tilcon Holdings Inc.	USA	
			Tilcon Ltd.	UK	
			U.S. Supply Co.	USA	
			William R. Selwood Ltd.	UK	
Operating Subsidiaries and Divisions					
	Industrial		Control Systems & Electrical		
	Apex Belting*	Australia	Measurement & Flow Control	USA	
51%	Asia Polymer Corporation*	Taiwan	Newey & Eyre Group Ltd.	UK	
	BTR Farington	UK	The Rochester Corporation	USA	
	BTR Silvertown	UK	Serck Audco Valves	UK	
41%	China General Plastics Corporation*	Taiwan	Summers Electrical Co. Inc.	USA	
	Clarkson Industries Inc.	USA	Worcester Controls Corporation	USA	
	DCE Group	UK	Worcester Controls (UK) Ltd.	UK	
	Dunlop - CCT SA	Belgium	Consumer Related		
	Dunlop Enerka BV	Netherlands	ACI Plastic Packaging*	Australia	
	Dunlop GRG	UK	ADS Anker GmbH	Germany	
	Dunlop Hiflex Ltd.	UK	A/S Nunc	Denmark	
	Dunlop Hydraulic Hose	UK	Australian Glass Manufacturing Co*	Australia	
	Dunlop Industrial Hose	UK	Bear Medical Systems Inc.	USA	
	Dunlop Oil & Marine	UK	Berker AG	Germany	
	Facile Technologies Inc.*	USA	BTR Nylex Packaging*	Australia	
	Hansen Transmissions		CoDesign*	Australia	
	International NV	Belgium	Dunlop GmbH	Germany	
	Leyland & Birmingham	UK	Dunlopillo	UK	
	Lonstroof-BTR AG	Switzerland	Dunlop Slazenger International Ltd.	UK	
91%	Peter-BTR Gummiwerke AG	Germany	Feltex Carpets*	New Zealand	
	Serck Heat Transfer	UK	Huyck	UK	
51%	Taita Chemical Company*	Taiwan	Huyck Corporation	USA	
	Vinyl Products*	Australia	Irga	Italy	
	Vokes	UK	Pretty Polly	UK	
	Transportation		Rest Assured Holdings Ltd.	UK	
	BTR Engineering (Australia) Ltd*	Australia	Sanshin Enterprises Ltd.*	Japan	
	BTR Kennon*	Australia	S.W. Industries Inc.	USA	
	Dunlop Automotive	UK	Viennatone GmbH	Austria	
	Dunlop Aviation	UK			
	Dunlop Aviation Inc.	USA			
	Dunlop-Beaufort	UK			
	Dunlop Precision Rubber	UK			
85%	Dunlop Topy Wheels Ltd.	UK			
75%	Dunlop Zimbabwe Ltd.	Zimbabwe			
	Farati-BTR SA	Switzerland			
	Haskon	USA			

*The holding stated is that of BTR Nylex Limited.

REPORT OF THE AUDITORS

to the members of BTR plc

We have audited the accounts on pages 41 to 57 in accordance with Auditing Standards.

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

London
13 March 1990

Ernst & Young
Ernst & Young
Chartered Accountants

DIRECTORS' INTERESTS

	Ordinary shares of 25p		Warrants		Share Options	
	31.12.89	1.1.89	31.12.89	1.1.89	31.12.89	1.1.89
Sir Owen Green	1,007,272	1,007,272	61,044	30,522	154,424	154,424
J.C. Cahill	231,241	287,241	115,711	8,704	500,000	400,000
C.R.H. Bull	-	-	5,000	-	150,000	150,000
R.F. Faircloth	5,000	-	-	-	300,000	125,000
N.C. Ireland	499,992	499,992	30,302	15,151	-	-
A.R. Jackson	46,687	45,842	2,802	1,388	197,500	167,500
H.W. Laughland	27,168	26,676	1,630	807	73,444	164,944
E.E. Sharp	3,000	3,000	500	-	350,000	250,000
J.D.M. Smith	43,772	45,772	2,713	1,387	170,424	120,424
L.J. Stammers	192,500	192,500	5,833	5,833	160,938	160,938
G.J. Yardley	21,054	20,374	1,254	617	198,723	121,737

Notes

1. Ordinary shares of 50 cents each held in BTR Nylex Limited at 31 December 1989: Sir Owen Green 778,651 (363,105); J.C. Cahill 526,419 (295,313); A.R. Jackson 200,832 (111,767); E.E. Sharp 367,043 (195,750). On 14 April 1989 A.R. Jackson was granted an option to subscribe for 225,000 Ordinary Shares of BTR Nylex Limited during the period of two years commencing 14 April 1992 and at 31 December 1989 had options over a total of 425,000 shares (100,000).
2. Holdings of directors on 15 March 1990 were as at 31 December 1989 save that on 1 January 1990 L.J. Stammers exercised an option to acquire 2,568 shares at a price of 144p per share.
3. All holdings shown above are beneficial. At 31 December 1989, there was registered in the names of directors a number of representative shareholdings held in a nominee capacity and to which no beneficial interests attached.

NOTICE OF MEETING

Notice is hereby given that the ninety-second Annual General Meeting of BTR plc will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, London SW1 on 10 May 1990 at 11.30 am for the following purposes:

1. To receive the report of the directors and audited statement of accounts for the year ended 31 December 1989.
2. To declare a final dividend.
3. To re-elect directors who are retiring.
4. To re-appoint the auditors and authorise the directors to fix their remuneration.
5. To consider as a special resolution:

'THAT the Board be and is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the authority conferred by resolution No. 5 passed at the Annual General Meeting of the Company held on 14 May 1986 as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:

a) to the allotment of equity securities in connection with a rights issue in favour of the ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as they may be) to the respective numbers of ordinary shares held by them but subject to such exclusions as the Directors may consider appropriate to deal with fractional entitlements or holders of shares outside the United Kingdom, and

b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £21,725,000 and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired;

6. To consider as an ordinary resolution:

'THAT the Directors be authorised, pursuant to article 127 of the Company's Articles of Association to pay dividends for the year ending 31 December 1990 in the form of the Company's fully paid Ordinary shares of 25p each;

7. To consider as special business the resolution set out in a letter to shareholders dated 11 April 1990.

S. K. Williams

By Order of the Board
S. K. Williams, Secretary
11 April 1990

EXPLANATORY NOTE TO RESOLUTION 5

This is the special resolution proposed annually renewing the Directors' limited authority under Section 95 of the Companies Act 1985 to allot shares otherwise than on a pre-emptive basis.

Ordinary shareholders only are entitled to attend and vote at this meeting and may appoint one or more proxies to attend and, on a poll, vote instead of them. A proxy need not be a member of the Company. Completion and return of the proxy will not preclude a shareholder attending and voting.

Forms of proxy are to be sent to the registrars of the Company, Barclays Registrars Limited, 6 Greencoat Place, London SW1P 1YU, to arrive not less than 48 hours before the time of the meeting.

The following information will be available for inspection at the registered office of the Company during business hours on any weekday (Saturdays excluded) from the date of this notice until 10 May 1990 and at the Queen Elizabeth II Conference Centre on that date from 11.15 am until the close of the meeting:

a) a statement of the transactions of each director and his family interests in shares, debentures or other stocks of the Company and its subsidiaries; and

b) copies of all contracts of service of directors with the Company or its subsidiaries other than those expiring or determinable by the Company without compensation within one year.

TEN YEAR RECORD

£ millions	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Sales										
Europe	310	325	399	1139	1867	2381	2403	2537	2797	2944
West	77	135	147	648	1420	1161	1077	852	1134	1856
East	123	178	179	183	200	339	539	760	1542	2225
Total	510	638	725	1970	3487	3881	4019	4149	5473	7025
Profit Before Tax										
Europe	41	42	62	127	182	266	327	352	401	459
West	18	34	40	66	144	137	147	139	182	324
East	18	28	24	26	28	59	83	130	331	456
Finance costs	(7)	(14)	(19)	(48)	(70)	(100)	(52)	(31)	(94)	(159)
Total	70	90	107	171	284	362	505	590	820	1084
Earnings										
Total	43	57	69	113	194	261	352	398	486	624
Capital Employed										
Fixed assets	220	285	301	838	901	1030	1242	1236	1694	2680
Net trading assets	83	118	141	526	556	891	608	621	714	871
Total	303	403	442	1364	1457	1921	1850	1857	2408	3551
Financed by										
Issued capital	40	60	60	132	133	273	422	423	424	434
Reserves	182	201	257	560	714	743	829	866	941	1163
BTR shareholders interests	222	261	317	692	847	1016	1251	1289	1365	1597
Minority interests	16	19	21	35	38	83	189	221	631	817
Deferred taxation	1	2		9	15	74	24	18	18	26
Debt Long term	68	107	80	505	461	579	434	398	708	931
Short term net	(4)	14	24	123	96	169	(48)	(69)	(314)	180
Total	303	403	442	1364	1457	1921	1850	1857	2408	3551
Shareholders' Interests (adjusted for bonus and rights issues) in pence per share										
Earnings	4.4	5.3	6.3	8.5	12.2	16.0	21.2	23.6	28.7	36.1
Dividends	1.6	1.9	2.2	2.8	4.3	5.8	8.3	9.7	12.0	15.0
Shareholders' Funds	20.5	24.1	29.3	43.6	53.2	62.0	74.1	76.2	80.5	91.9
Other Financial Statistics										
Return on sales (%) note 1	15.1	16.3	17.4	11.1	10.2	11.9	13.9	15.0	16.7	17.6
Return on capital (%) note 2	31.2	29.5	29.8	24.3	25.1	27.4	29.5	31.5	42.8	41.6
Interest cover (times) note 3	11.0	7.4	6.6	4.6	5.1	4.6	10.7	20.0	9.7	7.8
Debt to capital employed (%) note 4	21.1	30.0	23.5	46.0	38.2	38.9	20.9	17.7	16.4	31.3

Notes: (1) Profit before interest and tax (PBIT) on sales.
(2) PBIT on average of preceding and current year end total capital employed.
(3) PBIT on net interest.
(4) Net debt on total capital employed.

FINANCIAL CALENDAR 1990/91

Annual General Meeting	May
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Half year ends	June
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Announcement	September
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Full year ends	December
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Announcement	March 1991
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Interim dividend paid	November
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Final dividend paid	May 1991
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