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Established in Wiltshire, England in 1885, Avon Rubber has 23 manufacturing units in Europe, North America and East Africa, creating and manufacturing high performance elastomer products and systems for the world's automotive, engineering, leisure and defence markets.

Today, Avon's product range is split almost equally between tyres, automotive components and technical products.

The tyre company principally manufactures high performance car tyres, but also produces truck and industrial tyres and motorcycle and racing tyres. Other activities embrace remould and calendered materials and the provision of a Group-wide mixing facility.

Our automotive components division offers a wide range of products from radiator and heater hoses to air conditioning hoses and pipes and from vehicle suspension systems to windscreen wiper blades.

Avon's technical products division provides a diverse range of polymer-engineered components, too numerous to list in full, for many industries world-wide.

Among these are aerosol gaskets, photocopier rolls, hovercraft skirt systems, flexible storage tanks, signature management materials, respirators and other defence products, milker inflations and golf grips.

In France, Avon produces automotive components such as high-temperature silicone hoses, defence products and components for the white goods and public utility industries.

In South Wales, Avon Inflatables manufactures world-leading leisure, commercial and military craft, life-saving rafts and jackets, fenders and anti-pollution equipment.

In North America, Cadillac Rubber & Plastics makes automotive components – including hoses, emission assemblies and gaskets. A rapidly expanding range of non-automotive products includes milker inflations, stators for oil drilling rigs and golf grips.

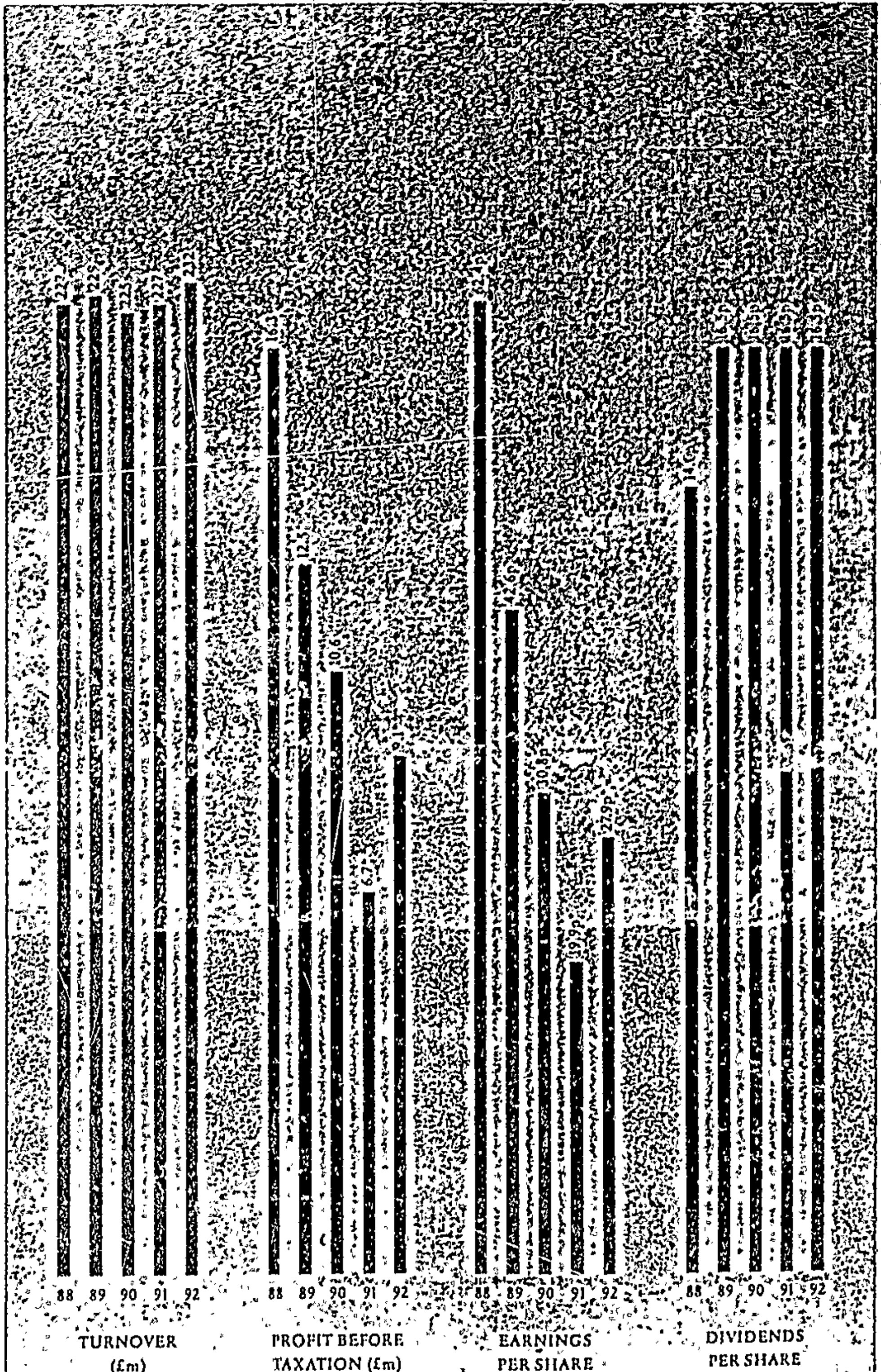
Across the broad spectrum of its activities, Avon is to be found at the leading edge of technical innovation. It also offers its accumulated expertise to developing countries establishing their own tyre and rubber industrial infrastructure.

FINANCIAL HIGHLIGHTS

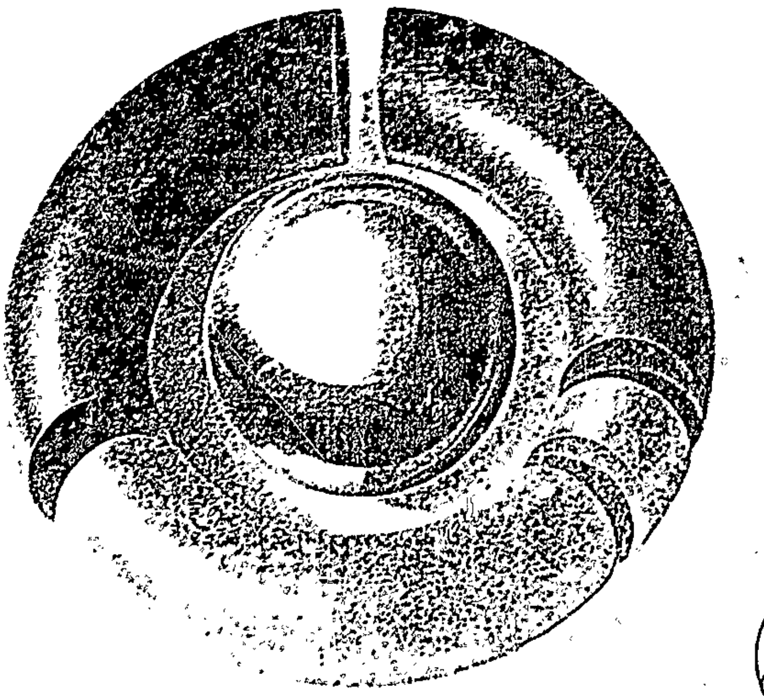
	1992 £000	1991 £000
Turnover	232,153	227,184
Operating profit	12,877	11,102
Exceptional profit/(costs)	208	(5,758)
Profit before taxation	9,360	965
Earnings per share	29.2p	1.0p
Earnings per share before exceptional items	27.9p	19.9p
Dividends per share	16.5p	16.5p

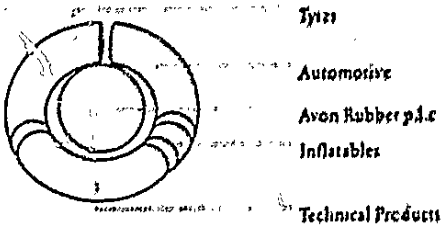
AVON'S VISION

"Avon will be recognised as an innovative international company, respected for the quality of its products and its people and dedicated to continuous profitable growth and improvement in all its operations. This will be achieved by seeking out, agreeing and meeting customer requirements and by making the most effective use of its technology and resources."



* Before exceptional items.





Chairman
The Rt Hon Lord Farnham

Chief executive
*A K Mitchard

*J.S. Harper *D.J. Hudson *B. Stacey *S.J. Willcox ♦C.L. Martin

Non executive directors
P.M. Fisher (Deputy Chairman)

Sir John Milne

J.M. Pinckard

J.M. Woolley

Registered office:
Melksham, Wiltshire

Auditors:
Coopers & Lybrand

Registrar and transfer office:
Melksham, Wiltshire

Brokers:
Cazenove & Co

Solicitors:
Linklaters & Paines

Principal bankers:
Barclays Bank PLC
Comerica Inc.
Midland Bank plc
Societe Generale

Corporate financial advisers:
Baring Brothers & Co. Limited.

*Executive Directors**
Company Secretary ♦

Non-executive directors' profiles
Peter Fisher, aged 66, who has been a member of the board since 1966, was appointed deputy chairman in 1979 and was group managing director between 1975 and February 1986. He is chairman of Elm Energy & Recycling (UK) Ltd. Married, with one daughter, he lives in Wiltshire.
Sir John Milne, aged 68, who has been a member of the board since 1989, was until 1990, chairman of Blue Circle Industries plc. He is chairman of Alfred McAlpine PLC and a director of Royal Insurance plc, Witan Investment Company plc and Solvay et Cie of Brussels. Married, with two sons and two daughters, he lives in Hampshire. He was knighted in the 1986 New Year Honours List.
John Pinckard, aged 62, who has been a member of the board since 1980, is a chartered accountant. He is chairman of Barcom plc, deputy chairman of Bimec Industries plc and a director of Hadleigh Industries Group plc. Married, with one son, he lives in Warwickshire.
Moger Woolley, aged 57, was appointed to the board in 1992. He is chairman of BM Group plc, Dolphin Packaging plc and API plc. He is a director of Staveley Industries plc, Bristol Water Holdings plc and the United Bristol Healthcare Trust. Married, with two children, he lives near Bristol.

Committees of the Board:
The chairman and the non executive directors are the members of the Senior Executive Remuneration and Benefits Committee and of the Audit Committee. Mr. J.M. Pinckard is chairman of the Audit Committee.

Results and Dividend

In spite of recessionary conditions on both sides of the Atlantic, profit before tax and before exceptional items for the year ended 3rd October 1992 increased by over 36% to £9,152,000 compared with £6,723,000 in the previous year. Particularly strong performances were achieved by Cadillac, Avon Tyres and Technical Products Division.

Profit before tax after exceptional items amounted to £9,360,000 (1991: £965,000). Exceptional items, which show a net credit of £208,000 compared with last year's provision for exceptional costs of £5,758,000, include an exceptional profit of £1,508,000 arising on the sale of a 49% share in our Automotive Bondings business as part of the new Avon-Clevite joint venture. However, the Board considers it prudent to write down the value of the Company's investments in Kenya and in Motorway Tyres and Accessories Ltd by £300,000 and £1,000,000 respectively.

Earnings per share before exceptional items increased by 40% to 27.9p (1991: 19.9p).

After exceptional items, earnings per share amounted to 29.2p (1991: 1.0p).

Priority continues to be given to strict cash control and gearing at the year end was 47.8% (1991: 46.8%). Even after capital expenditure of approximately £15,000,000 (1991: £10,000,000) and expenditure of approximately £5,200,000 (1991: £183,000) in relation to the exceptional costs provided for last year, net borrowings have increased by only £3,840,000. The effective tax rate of 27.4% (1991: 34.2%) was favourably affected by the high level of capital expenditure.

The Directors recommend a final dividend of 11.5p per share giving an unchanged total dividend for the year of 16.5p per share. The Scrip Dividend alternative, approved by shareholders at the 1992 Annual General Meeting, will again be offered in respect of the final dividend.

Reorganisation

During the year, the reorganisation of our Wiltshire manufacturing operations was virtually completed. This reorganisation, announced in October 1991, has fully met our financial and business objectives. Significant overhead cost savings and working capital reductions have been achieved and we have created a series of focused businesses much more closely aligned to their customers.

Automotive Components Division

Improved manufacturing efficiency and advanced product design have enabled this Division to increase market share in all areas of its business. Although the European automotive market remained depressed and intense competition prevailed within the components sector, we now have a sound platform from which to move forward when trading conditions improve.

Significant potential exists for the two new joint ventures announced earlier this year, both of which have attracted much attention in the markets they serve. Avon-Clevite, operating at Chippenham, will enhance our existing position in the automotive vibration management market and Avon-S&H, operating at Melksham, is making rapid progress in developing its business in automotive air-conditioning systems. Both these businesses operate from facilities of world-class standard.

Technical Products Division

This Division, created from our portfolio of non automotive operations, serves the international engineering, defence, dairy *and leisure markets from factories in England, France and the United States.*

Experiencing minimal direct impact from the recession, the Division performed well during the year, particularly in the second half. In spite of strong competition, most areas of the business achieved sales and profit growth over last year and made further major improvements in cash generation.

The high profile enjoyed by our defence products during the Gulf crisis has resulted in our winning substantial export orders for respiratory protection products and for collapsible pillow tanks. In France, Spencer Moulton completed a major defence contract for the French Navy and, in the United States, Bell-Avon won valuable orders for pillow tanks and for hovercraft skirts for the United States Navy Air Cushion Landing Craft. CQC, in Barnstaple, has won a substantial contract for textile products for a Middle East Defence Agency.

Avon Tyres
Recessionary effects were felt in the UK throughout the year, but overall market share was maintained at better margins. Demand for remould materials was strong and business in truck tyres increased towards the year end. Exports increased in volume and will be further stimulated by the decline in value of sterling.

The reorganisation of manufacturing operations was completed without significant disruption and by the year end the benefits of sharper focus and shorter lines of communication were clearly visible.

Avon's involvement in racing continues to provide the company with success in competition and with a shop window for its technological capability. The prestigious MCN Supersport 600 Motorcycle Championship, the Open and Formula 2 British Motorcycle Sidecar Championships and the European and British Rallycross Championships were won by riders using Avon racing tyres. For the next two years we will continue to be the sole tyre supplier for the International Formula 3000, the British Formula 2 and the British Formula 3 series.

Avon Technical Services brought to fruition new technology transfer contracts in Sri Lanka and China, and signed a five year extension of the existing agreement with Vikrant Tyres Limited in India.

Cadillac
As predicted in our Interim Statement, the improving trend in market share, sales and profits continued into the second half. Sales of automotive products, helped by enhanced market share, increased by 7.5% from the previous year.

The non automotive business continued to show promising development. Sales of UK manufactured products through Avon Illinois increased by more than 10% despite the downturn in oil drilling equipment sales, following the worldwide decline in drilling activity. Golf grip production will commence at Cadillac during the current year and sales prospects in this area look very promising.

The excellent performance of Cadillac during the year augurs well for the future and there is some optimism that pent-up consumer demand may soon be released. Margins in some areas of the business are, however, expected to be under pressure.

Avon Inflatables
Although the marine leisure market worldwide continued to decline as a result of the recession, the actions taken in cost reduction and in product rationalisation and innovation have enabled our Inflatables business to move out of the loss making position it experienced last year.

Sales increased in most areas backed by a sound dealer network, a flexible pricing policy and the reputation for quality which our products enjoy.

Further action taken at Sillinger in France and at the moulding operations at Cowes will improve performance in those areas. We will continue to add high quality and innovative products in the year ahead.

Directors
We are pleased to welcome Mr. J.M. Woolley to the Board as a Non Executive Director. Mr. Woolley was formerly Chief Executive of DRG plc and is now Chairman of BM Group plc, Dolphin Packaging plc and API plc. He is a director of Staveley Industries plc, Bristol Water Holdings plc and the United Bristol Healthcare Trust. We are already benefiting from his involvement in the Group's activities and you will see that a resolution for his re-election is proposed in the Notice convening the Annual General Meeting.

At the Annual General Meeting in 1986 shareholders approved an ordinary resolution under which the Non Executive Directors could be paid such ordinary remuneration, not exceeding £50,000 per annum in the aggregate, as the Board may determine from time to time. Seven years on, the aggregate annual remuneration of the Non Executive Directors amounts to £50,000 per annum.

The Board considers that it is in the interests of the Company to uplift the maximum aggregate ordinary remuneration of the Non Executive Directors to £100,000 per annum. You will see that an ordinary resolution to this effect is included in the Notice of the Annual General Meeting. If shareholders approve this resolution it is the intention of the Board to increase the ordinary remuneration of each of the Non Executive Directors to £15,000 per annum from 1st March 1993.

Investors In People
Developed by the Confederation of British Industry and the British Institute of Management and supported by the trade union movement, "Investors In People" is an award open to UK companies who meet certain standards of excellence in staff training and development. The Company has embarked on a two year programme to achieve the "Investors In People" award and this programme reflects the Board's commitment to provide high standards of training and development to match the needs of the business.

Employees
I indicated in my statement last year that our reorganisation would depend for its success on the wholehearted commitment of our employees. As always, this commitment has been fully demonstrated and, on your behalf, I thank our employees for their effort and for their success.

Outlook
A number of positive factors give us confidence in our future performance. These factors include the benefits arising from our recent reorganisation, the increasingly international spread of our business, increasing market shares in key areas and the many opportunities for business development.

With little evidence of any short-term recovery in the general economy, our activities will continue to be underpinned by the strict control of cash and by the determined pursuit of continuous improvement projects throughout the organisation.

[illegible] the [illegible] equipment [illegible] by Avon-S & H to [illegible] block [illegible] the Vauxhall Astra. Operators [illegible] to work within a temperature tolerance of less than [illegible] degrees Centigrade to achieve a successful weld.

The automotive business, [illegible] now accounts for some 51 per cent of the Group's total turnover.

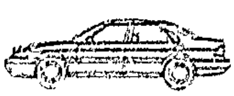
NOVEMBER 1991
Automotive components division gains business worth around £1 million on the new Rover 800 series. This includes engine and chassis mounting systems, radiator coolant and heater hoses and all emission assemblies.

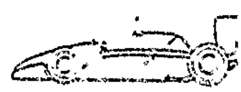
JANUARY 1992
Avon Racing is awarded exclusive tyre supply contracts for the International and British Formula 3000 championships and the British Formula 3 championship. These series are recognised throughout the world as major proving grounds for future Grand Prix drivers.

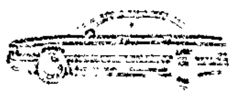
APRIL 1992
Tyres re-engineers its Avon Turbospeed CR23 to meet the latest demands of modern performance vehicle design. New compounds and the latest computer-aided design systems, develop tyres improving driver feed-back, giving longer life and enhancing wet weather grip.

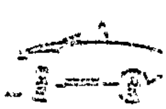
JUNE 1992
Avon-Clevite Ltd begins operations in its new purpose-designed facility at Chippenham. To be followed shortly afterwards by the opening of Avon-S & H Ltd at Melksham. The hydramount pictured below is now being supplied by Avon-Clevite to Audi, Jaguar and Rover.

JULY 1992
National and international diesel-powered speed records are set by Angus Hamilton in vehicles fitted with standard Avon road tyres. His IBEX off-road vehicle was shod with Avon Turbospeed CR27s and his Peugeot 205 with CR28s.









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The year under review was dominated by recessionary tendencies in many of our markets, not least in the UK. On the other hand, in the USA, where we do over a quarter of our business, there were definite signs of improvement and all of our activities there performed well.

The reorganisation announced in October 1991, has been successfully completed and we are confident that its benefits will be substantial and long-lasting. We are hoping to redevelop the 5.5 acre site at Bradford-on-Avon with the help of Chartwell Heritage Ltd, a company which has an excellent reputation for sympathetically changing the use of sites which contain listed buildings. However, the project will undoubtedly take longer than we hoped originally because of the poor state of the property market.

The markets in which the company operates become ever more competitive and our customers' expectations of us ever more demanding. At times this can be uncomfortable for a supplier of components such as Avon but, on the other hand, it can also provide more opportunities as our customers reduce their supplier base. We have certainly gained extra market share in many areas and see considerable scope for continuing to do so.

Meantime, the company's progress abroad continues apace and the [illegible] 1991-92.

We embraced Total Quality Management as long ago as 1987 and there is no question that it [illegible]. TQM is [illegible] more in Avon. "Continuous Improvement" is a more appropriate phrase and it pervades everything we do.

Forces of Change:
A key [illegible] ability of management is to anticipate, formulate and deliver responses to the forces of change which bear down on the business. These forces are [illegible] felt in the areas of competition, financial pressures, enhanced quality and service demands, the environment, health and safety legislation and the most welcome wish of employees to become more participative and involved.

Stephen Stone
MD, Avon Automotive Components

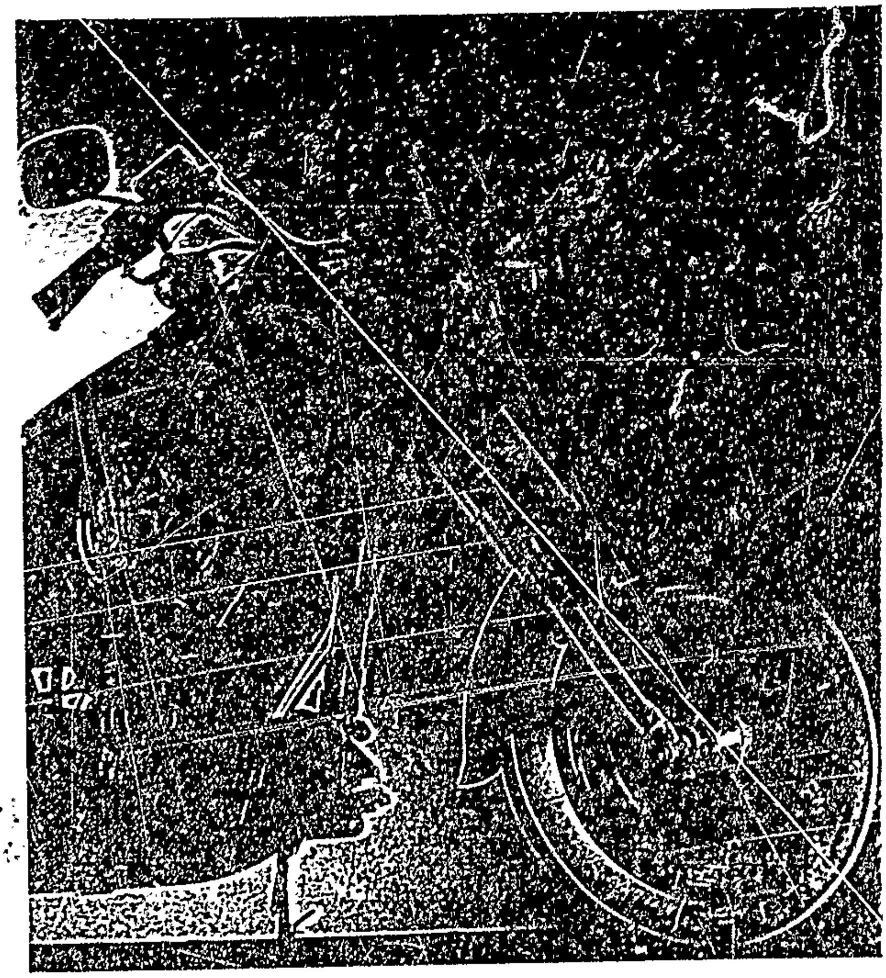
Brian Clap[illegible]on
MD, Avon Tyres Ltd

... of reputation and ... in important European markets

In our European Automotive Partners, the outstanding events have been the creation of the two new joint venture businesses

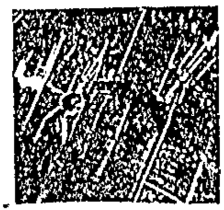
Avon-Clevite Ltd
These activities are located in Chippenham, in what we believe to be a world-class factory. Avon's traditional skills in the design and manufacture of engine and gearbox mounts are now strongly complemented by Clevite's expertise in suspension bushes. The company will trade at a loss during 1992/3, its first full year. However, its prospects beyond that are very good indeed and business already awarded by Audi, Honda and General Motors will start to have a beneficial impact in the new financial year.

Avon-S&H Ltd
This joint venture was created in response to growth prospects in the European market for automotive air conditioning. Excellent factory operations have been established at Melksham. Our American partners bring pre-eminent expertise to the partnership and we have established that there is an outstanding potential which we are confident of being able to tap. Considerable business has already been won, particularly from General Motors in Europe.



One of the year's great successes has been the introduction of the Gangster whitewall motorcycle tyre, for fitment to classic American machines – such as this Harley Davidson. The white sidewall is incorporated into the building process, which involves keeping it clean throughout the curing process. Full production began in March 1992, with over 90 per cent of Gangster tyres crossing the Atlantic.

Avon-Clevite is supplying a dozen different suspension bushes for models manufactured at Honda's new plant at Swindon, Wiltshire.



Computer aided design technology creates a three dimensional image of the new Avon CR 228 high performance car tyre

Customers are demanding faster response and shorter lead times

In most of our businesses, customers are demanding faster response and shorter lead times whilst requiring a wider variety of products. Adoption of 'cell-manufacturing' – the organisation of activities into self-contained, flexible mini-factories – is progressing rapidly, with innovative new approaches to enable the achievement of significant benefits.

At the same time, in order to maintain our margins and to support strategic partnerships, we have continued to take out cost from our operations. Cost reductions have been achieved by the elimination of activities which do not add value and by cooperative projects with our customers to facilitate product re-design and simplification.

In Inflatables, so as to manage more effectively the cyclical nature of our business, an agreement has been reached at both our Welsh and Isle of Wight facilities which enables us to flex working hours according to demand, thus reducing stock levels.

All of these actions, together with the successful completion of the major reorganisation, has enabled us to reduce our cost base as well as stock levels in many areas. The new focused businesses and factory activities facilitate what is already a growing trend of involvement by our people in the areas where they work. I am most hopeful that the Investors in People initiative will serve to reinforce this very satisfactory situation.

Response to Market Opportunities
In Tyres, we continue to 'play to our strengths' and despite the UK recession, we held our market share at improved margins. At the same time, we increased our export sales of car, truck and motorcycle tyres.

Remould and processed material sales benefited from an increased UK demand for remould tyres and the successful outcome of a sales drive in European markets.

We have appointed a new tyre distributor in the USA and sales of car tyres in France and Scandinavia are also set to grow, following new marketing arrangements.

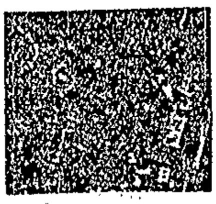
The USA is now the largest single market for our motorcycle tyres.

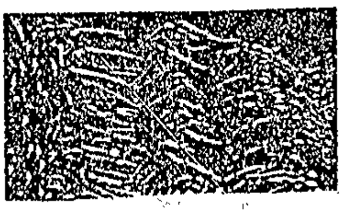
New products introduced in 1992 were:

– The Gangster White, a whitewall motorcycle tyre for Harley Davidson and other classic machines. This is so successful that the factory is stretched to supply. New sizes will be introduced in 1993.

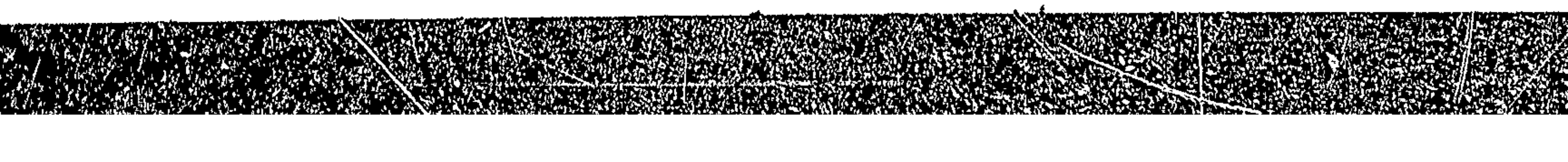
– Further sizes of car tyres were introduced in the CR228 high performance low profile Z-rated radial. Capable of speeds in excess of 240 kph, this range has

This 53½-inch bag-o-matic press cures premium-rated truck tyres. It is fitted with plc controls and data acquisition software. The press has a touch-sensitive screen – enabling the operator to select from a number of pre-programmed cure sequences. This recently-introduced system will be applied to all truck tyre presses during a three-year conversion programme.





Heater hose assemblies produced by Trowbridge Hose.



In New York State, we succeeded in obtaining new business from Valeo and Chrysler. Also, we completed plans for the impending transfer of all our plastic moulding and extrusions from Manton, Michigan to New York.

At Manton, we saw a substantial increase in demand for milker inflations. There was also a large increase in orders for golf grips made in Melksham and marketed in USA by Cadillac. In 1993, we shall commence manufacture of golf grips in Manton.

In the factories based in Cadillac, Michigan, we were busy on nearly all fronts. Demand was particularly strong for fuel filler hoses which are fitted to light trucks.

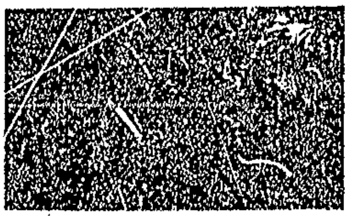
Cadillac's customers require a 'full service' capability from their suppliers and our strengths in rubber and plastics can often be combined to secure new business. Sales and technical personnel work very closely with each other and with our customers to offer a technology service from an efficient and cost-effective organisation.

Technical Products Division
In the Technical Products Division, several of our products are now market leaders in many of the countries in which they are sold. The close identificaton of market requirements, through the establishment of partnerships with customers, has been particularly successful in our mature markets, such as milking equipment and aerosols.

Some years ago, Spencer Moulton in France identified the growing demand for mini-excavators, based on changes in construction excavation trends. We have carried out extensive test marketing of a tough rubberised crawler track for such machines, and have established a European distribution network as well as investing in equipment which will enable us to produce a full size range.

In Europe, the well-established technology we have developed in the design and manufacture of specialised hose for peristaltic slurry pumps has led to a sole-source contract with one of the major manufacturers of pumping systems.

Our golf grips, for original equipment and replacement use, have been so popular of late that demand has exceeded available capacity for much of the year. Our range of golf grips has been approved as the chosen fitment by the recently-launched Professional Golfers' Association of Europe.



As the largest producers of milk liners in Europe, we are now using "cell working" techniques to manufacture new lightweight milking clusters for the dairy industry. These utilise "food grade" rubber components designed for softness, strength and high elasticity.

Elsewhere, our business has held up reasonably well despite quite severe cutbacks from our UK automotive customers. Our hose division at Trowbridge had a successful year, thanks mainly to improved internal efficiency. The windscreen wiper blade business has been successfully re-located from Bradford-on-Avon into a factory at Trowbridge, which was released by the hose division.

Our products are now market leaders in many countries

Tabur in France has had another successful year, which has been supported by their having gained extra business, not only from the motor industry itself but also from the home appliance sector.

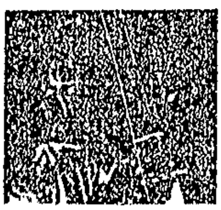
At Cadillac Rubber & Plastics, we have benefited strongly from our earlier reorganisation and an increase in market share. This, together with a US automotive market which displayed growth for the first time in several years, combined to enable the management to achieve a much improved profit performance.

Considerable progress has been made in the replacement of conventional manufacturing processes by cellular operations.

The Mexican operations had a good year based on improved internal efficiency and their success in obtaining extra business.

Hydramount, a new development in engine mounts, combines the vibration reduction properties of rubber and hydraulics. They are being supplied by Avon-Clevite to Audi, Jaguar and Rover.

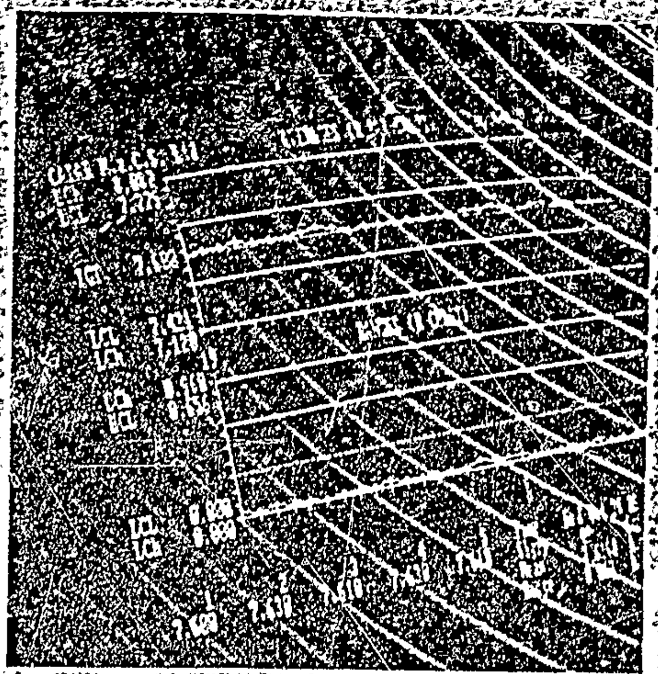
Hoses being loaded onto formers prior to vulcanisation at Trowbridge Hose.



A breakthrough in rubber and thermoplastic rubber overmoulding has enabled Cadillac to produce lightweight air control valves for the automotive industry.

Windscreen wiper blades produce Automotive Mouldings at Trowbridge m conform to the most demanding performa parameters. Here, a profile projecto optical measuring instrument, is being to check the 68 dimensions of a c section of a blade under developm

Laser measurements, taken as material leaves the extruder head, enable operators to use computer graphics to check at a glance that the tubing totally conforms to the required measurements throughout its 25-metre length. The tubing is used principally in the dairy industry.



The technical products division has a portfolio of top quality products and services playing a vital role in a variety of industries – principally marine, dairy, defence, engineering, commerce and leisure

OCTOBER 1991

Signature Management Group wins a £750,000 contract to supply acoustic baffler materials for the Royal Australian Navy's new fleet of six Type 471 submarines.

The order, won against strong international competition, is for materials enhancing the effectiveness of the submarine's sonar system.

MARCH 1992

Technical products division wins orders for its advanced pipelaying systems for the oil and gas industries. The Avon piggyback system is chosen by Amoco British for the Pickerill pipeline and Western Australian Petroleum Company selects a new type of Avon clamping system.

MAY 1992

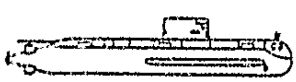
Golfgrips production expands to the United States, where they are to be manufactured by Cadillac Rubber & Plastics Inc.

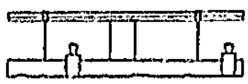
This additional production facility is in response to increased customer demand.

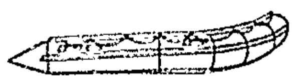
SEPTEMBER 1992

Inflatables introduces a range of budget-priced boats for first-time buyers at the Southampton Boat Show.

These include 'starter boats' in the company's dinghy and Supersport ranges and re-styled Rover and Supersport craft.







Against the commonly perceived trend of decline in defence expenditure, the performance of Avon's products during the Gulf crisis has enhanced our reputation, resulting in success in the short-term and prospects for steady growth into the future. Examples of typical business won or completed during 1992 are:–

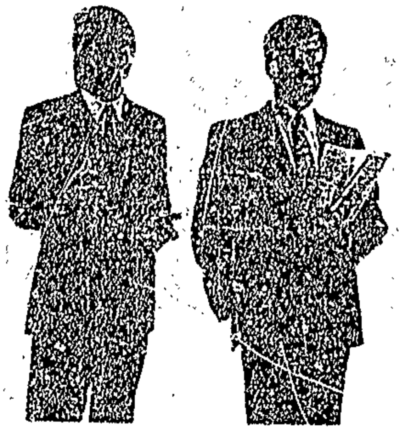
– CQC won a multi-million pound contract for textile products for a Middle East defence agency, helping offset lower MOD contracts during the year.

– The market leadership of our military repiratory protection equipment has resulted in a number of significant export contracts.

– Spencer Moulton completed, on time, and within budget, a major submarine accoustic signature reduction contract for the French Navy. The contract included design, manufacture and installation of tile systems at the dockyard.

Ross Stuart
MD Avon
Inflatables Ltd

David Miller
MD Avon
Technical Products



Bell-Avon (USA) has won several pillow tank contracts from US, UK and other defence agencies. Amongst the more notable were contracts for the US Department of Defense for 91 210,000-gallon fuel tanks, 198 20,000-gallon fuel tanks, and 136 50,000-gallon water tanks.

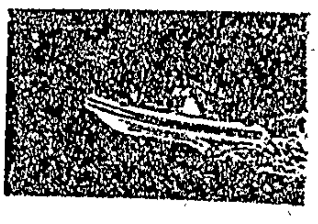
Bell-Avon also secured another 12 sets of hovercraft skirts for the US Navy LCAC (landing craft, air cushion programme).

At Avon Inflatables, market conditions have never been more difficult. However, we have held our market share in the UK and have actually increased it in a severely depressed USA. The innovative Roll Away boat has been a great success and during the year we developed and will launch at the major boat shows in 1993 two new rigid hull inflatables named 'Seasport' in sizes 4.25m and 5.45m.

These boats will cruise at 40 knots and are of innovative design, incorporating state of the art console and seating styles as well as such features as integral fuel tanks and concealed lockers. They have been designed specifically for the Mediterranean, Florida and Californian markets.

In France, Spencer Moulton has successfully completed a major submarine signature management contract for the French Navy. This included design, manufacture and installation of the tile systems. Signature management utilises advanced elastomer technology and systems to control both radar and acoustic signatures.

The all-new Seasport features the latest steering console and seating configurations.



Environmental pressures continuing to exert themselves on industry, will bring business opportunities

Environmental Matters – Responsible Care

Environmental pressures continue to exert themselves on industry, many of them now in the form of legislation, such as the Environmental Protection Act. All of our UK operations complied with the deadlines for submission of applications required by the Act.

As a result of our investigations into emissions, we retired one of our incinerators at Melksham.

An application for the registration of our major waste fuel boiler there has been submitted. The long-term future of this facility is under review, and an environmental audit is being carried out to identify those waste materials capable of being recycled and those which can be used for energy recovery.

Our Tyre company is participating in a joint study with the British Rubber Manufacturers' Association on the reduction of odour from the mixing process and has committed itself to a significant reduction in the level of hydrocarbon solvent emissions from the tyre factory.

The whole issue of used tyre disposal is an important one throughout Europe and we have played our part in the establishment of guidelines for the forthcoming European legislation on the disposal of worn tyres.

The USA has very strong environmental regulations and Cadillac's programme of investment and training, together with carefully monitored and controlled procedures, all combine to create a responsible and caring attitude.

The very proper international attention which is increasingly focused on environmental matters will bring business opportunities. Marine oil pollution is a major issue and we have developed a range of towed flexible tanks for oil recovered from such spills. Similarly, our directional drilling stators are being used by an American company to drill horizontal wells under contaminated sites, permitting the cleaning of polluted water.

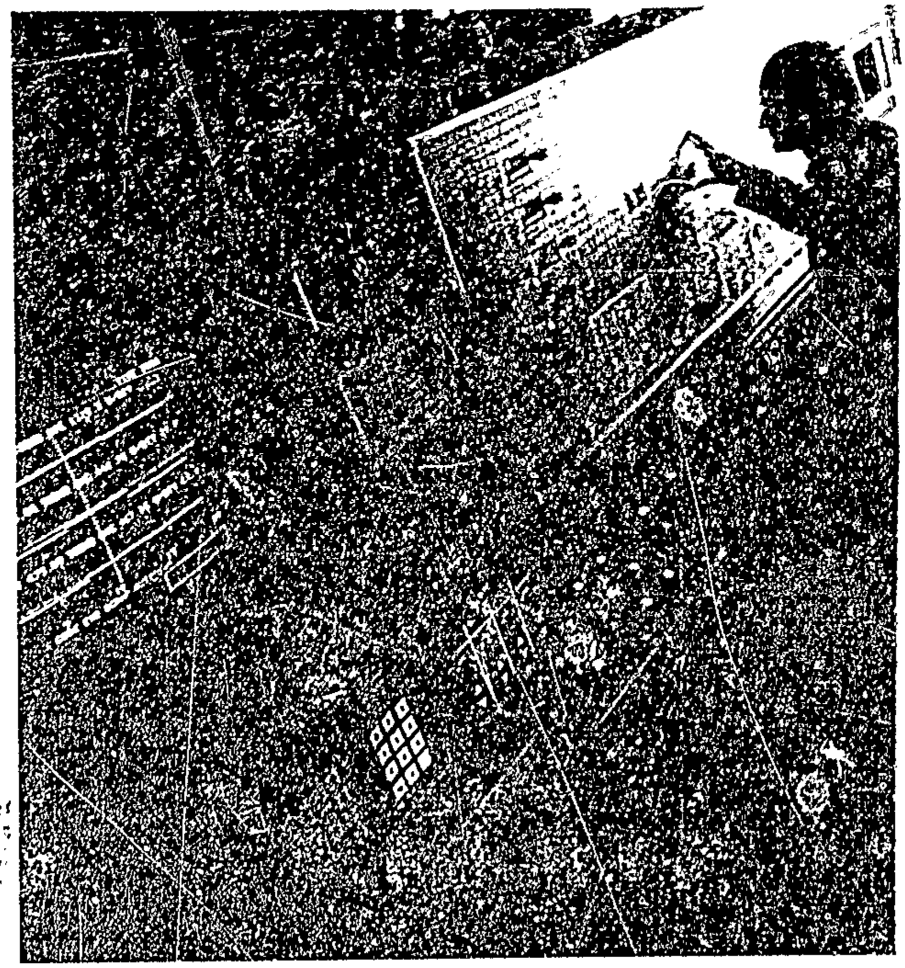
We have made a corporate commitment to an Energy Management initiative, sponsored by the UK Department of Industry. The seven-point programme for the responsible use of energy fits well into our continuous improvement culture.

Bell Avon continues to supply its hovercraft skirt systems and components for the US Navy's LCAC (landing craft air cushion) programme. During the year it secured orders for a further 12 sets.

An injection moulding press used to manufacture the Avon range of golf grips at Melksham. Avon grips are now the recommended fitment for the 6,500 members of the newly independent Professional Golfers' Association of Europe.

The board is in no doubt that protection of the environment and the protection of our employees, as well as being morally correct, makes good business sense also. We shall be pursuing our various programmes with considerable vigour.

As mentioned earlier, the continuous improvement ethos is now strongly established in Avon. There can be no better guarantee of a successful future than the involvement of all of our 5000 employees in the quest for improvement. The board believes that conditions have never been better for the encouragement of this high level of participation and all of our management attitudes and policies will be directed towards its facilitation.



In the processed materials area, where sophisticated techniques blend fabric, steel reinforcement and rubber, this Avon-designed control panel provides a range of visual information to the Z-calender operator. Along the whole of the 30-foot long production line vital data relating to running speed, temperature, tension and other factors can be seen at a glance.

The directors submit the one hundred and second annual report and audited financial statements of the company for the year ended 3rd October 1992.

1. Principal activities and business review
The principal activities of the group are:
- Manufacture of components for the automotive industries
- Manufacture of tyres and related products
- Manufacture of other polymer based products

The business review is covered on pages 4 to 15.

2. Results and dividends
The group profit for the year, before exceptional items, amounts to £9,152,000 (1991 £6,723,000). The group profit for the year after taxation and minority interests amounts to £6,167,000 (1991 £228,000). Full details are set out in the profit and loss account on page 18.
An interim dividend of 5p per share (1991 5p) was paid on 1st July 1992. The directors recommend a final dividend of 11.5p per share (1991 11.5p) making a total of 16.5p per share for the year to 3rd October 1992 (1991 16.5p).
The total distribution of dividends for the year to 3rd October 1992 is £3,498,000 (1991 £3,488,000).
The recently issued Financial Reporting Standard, FRS3, on reporting financial performance, will apply to next year's financial statements. The timing of the issue was such that it was impractical for the company to reflect this Standard in respect of the current year but the directors are of the opinion that any adjustments required would not be significant. This is because there have been no major acquisitions or discontinuances of business in 1991 or 1992 and there have been no extraordinary items in those years. The material disclosures required in the statement of total recognised gains and losses are given in note 27 to the financial statements.

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

	At the beginning of the year or when first appointed a director		*At the end of the year*	
	ordinary	*preference*	*ordinary*	*preference*
Lord Farnham	9,765	—	9,765	—
P.M. Fisher	9,262	500	9,262	500
J.S. Harper	—	—	—	—
D.J. Hudson	—	—	—	—
Sir John Milne	2,000	—	2,000	—
A.K. Mitchard	3,125	—	3,275	—
J.M. Pinckard	6,250	—	6,250	—
B. Stacey	—	—	—	—
S.J. Willcox	—	—	—	—
J.M. Woolley	—	—	4,000	—

The executive directors are all option holders; details are set out in note 26 to the financial statements.

No movements occurred in directors' shareholdings between the end of the financial year and 31st December 1992.

No beneficial interest attached to any shares registered in the names of directors in the company's subsidiaries.

Mr J.M. Woolley, who was elected to the board on 1st April 1992, retires under Article 91 and, being eligible, offers himself for re-election.

Mr J.M. Pinckard retires in rotation as director and, being eligible, offers himself for re-election.

4. Substantial shareholdings
At 31st December 1992, the following shareholders held 3% or more of the company's issued ordinary share capital:

Morgan Grenfell Group PLC	9.04%
Scottish Amicable Nominees Limited	5.96%
Standard Life Assurance Company	5.48%
Britannic Assurance Public Limited Company	4.56%
Robert Fleming Holdings Limited	4.16%
Universities Superannuation Fund	3.56%
M&G Investment Management Limited	3.10%

The company is not obliged to publish shareholdings held for authorised unit trusts. However, if shareholdings held for authorised unit trusts were taken into account, the holding in respect of M&G Investment Management Limited would amount in aggregate to 12.47% and a holding by Save and Prosper Group amounting to 7.49% would be disclosed.

5. Political and charitable contributions
No political contributions were made during the year. Contributions for charitable purposes amounted to £28,000 (1991 £27,000).

6. Directors and officers liability insurance
The company maintains on behalf of the directors and officers a policy of liability insurance.

7. Disabled persons
It is the policy of the company to encourage the employment and development of suitable disabled persons. No unnecessary limitations are placed on the type of work which they perform and the policy ensures that in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices. The policy provides that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to retain and continue in employment.

8. Employee involvement
Since the formation of the Joint Works Council at Melksham in 1936 and its more recent counterparts elsewhere in the group, consultation with employees has been recognised as being of great value. Regular consultation takes place so that employees' views are taken into account in all matters which may affect their interests. As part of our major programme of continuous improvement, supervisors and employees meet regularly to tackle problems together in a teamwork atmosphere. Information is disseminated to all employees by means of briefing groups, notice boards, videos and regular publication of an internal newspaper, *Avon Matters*.

As part of the programme to achieve our "Investors In People" award all UK employees have had the opportunity to complete a detailed attitude survey regarding training and development activities within the company. Continuing communication with, and involvement of, employees will be maintained as a vital element of our drive to achieve the highest standards in this area.

The Sharesave Option Scheme, which has been in operation in various forms since 1979, encourages wider share ownership amongst employees and enhances employees' interest in the progress of the company. Pension fund matters are communicated through site committees and the publication of a special newspaper.

9. Research and development
Avon's Strategy is to gain competitive advantage from its investments in research and development.

The research element of our spend is normally carried out in conjunction with academic institutes and is directed to selective "near market" projects.

The Teaching Company Scheme programme with Loughborough University is progressing well and promises to throw further light on our understanding of our processes and materials.

The larger part of our investment continues to be focused on the development of innovative products, improved processes and new materials—all directed at continuously improving our market position.

Coordination of the group's development programme is managed by a Technical Steering Committee and some specialised support is provided by a small central R & D unit.

10. Close companies
The 'close company' provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

11. Auditors
A resolution to appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting. Until 1st June 1992, the firm practised in the name of Coopers & Lybrand Deloitte.

By order of the board
C.L. Martin, Secretary
Melksham, Wiltshire

13th January 1993

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 3rd October 1992

	Note	1992 £000	1991 £000
Turnover	2	232,153	227,184
Cost of sales		(194,783)	(192,736)
Gross profit		37,370	34,448
Distribution costs		(8,012)	(7,522)
Administrative expenses		(18,076)	(17,023)
Other operating income		1,146	807
Share of profits of associated companies	3	449	386
Operating profit before exceptional items	2	12,877	11,102
Interest payable less receivable	4	(3,725)	(4,379)
Profit before exceptional items		9,152	6,723
Exceptional items	5	208	(5,758)
Profit on ordinary activities before taxation	6	9,360	965
Taxation on profit on ordinary activities	7	(2,563)	(137)
Profit on ordinary activities after taxation		6,797	828
Minority interests		(630)	(600)
Profit for the year		6,167	228
Dividends	8	(3,498)	(3,488)
Transfer to reserves	27	2,669	(3,260)
Transfer from reserves in parent company £2,558,000 (1991 £418,000)	28		
Earnings per share	9	29.2p	1.0p

at 3rd October 1992

	Note	1992 £'000	1992 £'000	1991 £'000	1991 £'000
Fixed assets					
Tangible assets	12		61,157		54,274
Investments	14		3,187		3,273
			64,344		57,547
Current assets					
Stocks	18	34,688		33,646	
Debtors	19	50,894		49,831	
Cash at bank and in hand		3,844		4,531	
		89,426		88,008	
Creditors					
Amounts falling due within one year	21	63,470		51,814	
Net current assets			25,956		36,194
Total assets less current liabilities			90,300		93,741
Creditors					
Amounts falling due after more than one year	21	19,971		25,377	
Provisions for liabilities and charges	23	5,794		10,638	
			25,765		36,065
Net assets			64,535		57,676
Capital and reserves					
Share capital	26		21,552		21,494
Share premium account	27		13,266		13,216
Revaluation reserve	27		355		372
Profit and loss account	27		18,016		14,598
			53,189		49,680
Minority interests			11,346		7,996
Shareholders' funds			64,535		57,676

These financial statements were approved by the board of directors on 13th January 1993 and were signed on its behalf by:

Farnham

A. K. Mitchard

Avon Rubber p.l.c. **BALANCE SHEET**

at 3rd October 1992

	Note	1992 £'000	1992 £'000	1991 £'000	1991 £'000
Fixed assets					
Tangible assets	13		7,214		9,104
Investments	15		76,785		75,806
			83,999		84,910
Current assets					
Debtors	20	3,920		5,311	
Cash at bank and in hand		151		2,750	
		4,071		8,061	
Creditors					
Amounts falling due within one year	22	5,988		7,251	
Net current liabilities			(1,917)		810
Total assets less current liabilities			82,082		85,720
Creditors					
Amounts falling due after more than one year	22	6,222		7,218	
Provisions for liabilities and charges	24	186		180	
			6,408		7,398
Net assets			75,674		78,322
Capital and reserves					
Share capital	26		21,552		21,494
Share premium account	28		13,266		13,216
Merger reserve	28		16,439		16,439
Revaluation reserve	28		266		270
Profit and loss account	28		24,151		26,903
Shareholders' funds			75,674		78,322

These financial statements were approved by the board of directors on 13th January 1993 and were signed on its behalf by:

Farnham

A. K. Mitchard

CASH FLOW STATEMENT

for the year ended 3rd October 1992

	Note	1992 £'000	1992 £'000	1991 £'000	1991 £'000
Net cash flow from operating activities	29		14,817		27,782
Return on investments and servicing of finance					
Interest received		439		456	
Interest paid		(4,3[illegible])		(4,862)	
Associated company dividends		1[illegible]		100	
Dividends paid		(3,447)		(3,485)	
Dividends paid to minority shareholders		(1,007)		(239)	
Net cash outflow on investments and finance			(8,246)		(8,030)
Taxation					
Corporation tax paid			(1,772)		(4,119)
Investing activities					
Purchase of tangible fixed assets		(14,340)		(9,446)	
Sale of tangible fixed assets		396		304	
Sale of fixed asset investments		–		100	
Net cash outflow on investing activities			(13,944)		(8,842)
Net cash outflow before financing			(9,145)		6,791
Financing	30				
Issue of ordinary shares		108		44	
Issue of ordinary shares in subsidiary companies		5,197		–	
New loans		1,390		1,892	
Repayment of loans		(1,412)		(2,305)	
New finance leases		289		3,548	
Principal payments under finance leases		(4,291)		(3,058)	
Net cash inflow from financing			1,281		121
Decrease in cash and cash equivalents	32		(7,864)		6,912

for the year ended 3rd October 1992

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below:

Basis of accounting

The financial statements are prepared on the historical cost basis, modified by the inclusion of certain fixed assets at valuation.

Accounting period

The company's accounting period ends on the Saturday nearest to 30th September each year. The period ended 3rd October 1992 consisted of 53 weeks (1991 52 weeks).

Consolidation

The consolidated financial statements include the financial statements of all group undertakings and the share of undistributed profits of associated companies. Goodwill arising on consolidation is written off in the year of acquisition.

Research and development

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

Pensions

The pension costs charged against profits in respect of defined benefit schemes are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees in the pension schemes in a way that seeks to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable salary roll in the light of current actuarial assumptions. Variations from regular cost are spread over the average remaining service lives of current employees in the schemes. The pension costs charged against profits in respect of defined contribution schemes represent contributions payable by the group.

Depreciation

No depreciation is provided on freehold land where its value can be separately ascertained. In all other cases, freehold properties are depreciated on the straight line method at 2% per annum. Leasehold properties are amortised by equal annual instalments over 50 years or the life of the lease, if shorter. Plant and machinery are depreciated on the straight line method at rates varying between 6% and 50% per annum.

Taxation

No provision for deferred taxation is made where there is reasonable evidence that no liability is likely to arise in the foreseeable future as a result of reversal of timing differences. Deferred tax assets are recognised to the extent that tax is expected to be recovered as a result of the reversal of timing differences which are not expected to be replaced by equivalent timing differences.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future.

Profit and loss accounts of foreign group undertakings are translated at average rates of exchange and balance sheets at year end rates. Exchange profits and losses arising from these translations and on foreign currency borrowings relating to overseas investments are taken to reserves. Other exchange differences are taken to profit and loss account.

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off to reflect any permanent diminution in value.

Leased assets

Assets which are the subject of finance leases are dealt with as tangible assets and equivalent liabilities at the cost of outright purchase. Rentals are apportioned between reduction of the liabilities and finance charges, calculated on a reducing balance basis over the primary lease period. Operating lease rentals are charged against profit over the term of the lease.

Stocks

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

1 Parent Company

Under the Companies Act 1985, the company is not required to present its own profit and loss account.

2 Segmental Information

a By destination:

	External sales 1992 £'000	External sales 1991 £'000
United Kingdom	93,669	103,048
Other EC	52,432	46,320
Other European	11,353	9,955
North America	66,715	56,876
Others	7,984	10,985
	232,153	227,184

b By origin:

1992	External sales £'000	Inter segment sales £'000	Operating profit* £'000	Net assets £'000
United Kingdom	131,910	15,877	4,972	62,838
France	24,486	69	1,611	12,638
Other European	14,217	–	593	2,406
USA	61,540	–	5,584	20,737
Others	–	–	117	–
	232,153	15,946	12,877	98,619

1991	External sales £'000	Inter segment sales £'000	Operating profit* £'000	Net assets £'000
United Kingdom	144,674	12,828	7,619	56,251
France	18,795	13	102	8,027
Other European	11,915	–	118	2,130
USA	51,800	–	3,263	20,535
	227,184	12,841	11,102	86,943

*before exceptional items

c By product groups

	1992 External sales £'000	1992 Inter segment sales £'000	1992 Operating profit* £'000	1992 Net assets £'000
Tyres	78,432	11,149	4,778	33,930
Industrial polymers – Automotive	79,138	112	3,426	36,866
– Technical products	60,034	168	4,632	21,655
Inflatables	14,543	8	25	6,948
	232,153	11,440	12,877	98,619

	1991 External sales £'000	1991 Inter segment sales £'000	1991 Operating profit* £'000	1991 Net assets £'000
Tyres	73,056	10,761	2,366	39,523
Industrial polymers – Automotive	70,632	54	2,681	22,696
– Technical products	69,658	36	7,862	18,802
Inflatables	13,878	12	(1,807)	5,922
	227,184	10,863	11,102	86,943

*before exceptional items

d Employees

	1992 Number Year end	1992 Number Average	1991 Number Year end	1991 Number Average
The number of employees, including those overseas, during the year was:				
Tyres	1,364	1,419	1,484	1,489
Industrial polymers – Automotive	2,037	2,170	2,016	1,894
– Technical products	1,229	1,184	1,276	1,234
Inflatables	379	378	379	399
Head Office	115	104	89	104
	5,124	5,255	5,244	5,120

e Reconciliation of net asset analysis

	1992 £'000	1991 £'000
Consolidated balance sheet	64,535	57,676
Borrowings	34,676	31,523
Interest bearing bills payable	2,338	3,420
Interest bearing amounts receivable	(1,727)	(2,926)
Interest bearing bank deposits	(1,203)	(2,750)
Non interest bearing net assets	98,619	86,943

3 Associated companies

	1992		1991	
	£000	£000	£000	£000
Group share of profit		449		386
Less: taxation	183		163	
received in dividend	168	351	100	263
Retained by associated companies		98		123

Name of company	*Share capital*	*Held by the group*	*Accounting date*	*Basis of consolidation*
Ames-Avon Industries, USA	7,000 shares of no par value	49%	31st December	Audited accounts for 1991. Unaudited accounts to September 1992
Avon Rubber Company (Kenya) Limited, Kenya	586,300 shares of 20 shillings each	36%	30th September	Audited accounts for 1992
Avon Marketing Services (Kenya) Limited, Kenya	260,000 shares of 20 shillings each	33%	30th September	Audited accounts for 1992

4 Interest payable less receivable

	1992 £'000	1991 £'000
On bank loans, overdrafts and other loans repayable:		
within 5 years, not by instalments	1,258	1,322
within 5 years, by instalments	756	1,167
after 5 years, by instalments	52	6
	2,066	2,495
Other interest payable and similar charges	2,077	2,327
	4,143	4,822
Interest receivable	418	443
	3,725	4,379

Other interest payable and similar charges includes £791,000 (1991 £809,000) in respect of finance leases.

5 Exceptional Items

	1992 £'000	1991 £'000
Profit on sale of interest in subsidiary undertaking	1,508	–
Write down of investment in related company	(1,000)	–
Write down of investments in associated companies	(300)	–
Reorganisation and relocation costs	–	(5,758)
	208	(5,758)

6 Profit on ordinary activities before taxation

	1992 £'000	1991 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	58	82
and after charging:		
Depreciation for year on tangible fixed assets	8,768	7,892
Auditors' remuneration	259	236
Research and development	5,640	4,251
Operating leases:		
plant and machinery	2,477	1,752
other assets	1,177	964
Loss on foreign exchange	61	(36)

Fees for non audit services supplied during the year by the parent company's auditors to the UK members of the group amounted to £244,000.

7 Taxation

	1992 £'000	1991 £'000
The taxation charge, based on the results for the year, comprises:		
Current taxation		
United Kingdom corporation tax recoverable at 33.4% (1991 33.5%)	(801)	2,390
Overseas taxes	1,618	422
Associated companies	183	163
	1,000	2,975
Deferred taxation	1,563	(2,838)
	2,563	137

The taxation charge for the year is reduced by an excess of capital allowances over depreciation of £2,120,000 (1991 £1,226,000).

An analysis of the deferred tax asset/(provision) together with the deferred tax asset/(potential liability) if deferred taxation was provided for on the full liabilities basis at 33% (1991 33%) is shown below:

	1992		1991	
	Provided £'000	Full potential £'000	Provided £'000	Full potential £'000
Capital allowances	–	(3,966)	–	(3,304)
Pension deferral	1,124	1,761	1,050	1,687
Exceptional item unspent	151	151	1,788	1,788
Other timing differences	–	(752)	–	(117)
	1,275	(2,806)	2,838	54

8 Dividends

	1992 £'000	1991 £'000
Paid:		
4.9% cumulative preference shares	25	25
Ordinary shares 5% interim (1991 5%)	1,035	1,049
Proposed:		
Ordinary shares 11.5% final (1991 11.5%)	2,438	2,414
	3,498	3,488

Shareholders currently participating in the company's scrip dividend alternative scheme are advised that they must return the forms of variation to the registrar at the company's registered office by 5th February 1993 if they wish to vary the level of their participation in the scheme in time for payment of the final dividend. Forms of variation for participating shareholders are enclosed.

9 Earnings per share

Earnings per share amounts to 29.2p (1991 1.0p) and is based on a profit of £6,142,000 (1991 £203,000) and 21,018,000 ordinary shares (1991 20,974,000) being the weighted average of the shares in issue during the year.

Earnings per share, calculated on the profit before exceptional items of £5,934,000 (1991 £4,773,000), amounts to 27.9p (1991 19.9p).

10 Pensions

The group operates a contributory defined benefit plan to provide pension and death benefits for the employees of Avon Rubber p.l.c. and its group undertakings in the UK. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The trustee is Avon Rubber Pension Trust Limited, the directors of which are members of the plan and are nominated by the members and the company.

Pension costs are assessed on the advice of an independent consulting actuary using the projected unit method. The funding of the plan is based on triennial actuarial valuations. The most recent formal actuarial valuation of the plan was carried out as at 5th April 1990 when the market value of the plan's assets was £110,118,000. The actuarial value of those assets represented 109% of the value of the benefits which had accrued to members, after allowing for future increases in salaries and for certain improvements in benefits, principally the introduction of limited price indexation of present and future pensions and the adoption of a system of flexible retirement between the ages of 60 and 65 for both men and women.

Pension costs for the year ended 3rd October 1992 is based on the actuarial valuation as at 5th April 1990. The principal actuarial assumptions used are that the annual rate of return on investments would be between 1.5% and 2% (1991 between 1.5% and 2%) higher than the annual increase in pensionable remuneration and 4.5% (1991 4.5%) higher than the annual increase in present and future pensions in payment. The pension cost to the group in the year to 3rd October 1992 in respect of UK employees was £4,245,000 (1991 £3,596,000). A provision of £5,337,000 (1991 £5,113,000) is included in provisions for liabilities and charges representing the excess of the accumulated pension cost over the amount funded.

For employees overseas, pension arrangements are principally defined contribution plans. The cost of the group in the year ended 3rd October 1992 in respect of overseas employees was £1,503,000 (1991 £1,076,000).

11 Employees

	1992 £'000	1991 £'000
Staff costs during the years were:		
Wages and salaries	72,439	65,663
Social security costs	7,041	6,105
Other pension costs	5,748	4,672
	85,228	76,440

Directors' remuneration	£'000	£'000
Fees	63	48
Other emoluments (including £21,000 profit related bonus, 1991 nil)	545	424
	608	472

The directors' remuneration disclosed above includes amounts paid to:	£'000	£'000
The chairman	22	18
The highest paid director (including £7,000 profit related bonus, 1991 nil)	130	118

Directors' emoluments:	Numbers	Numbers
£5,001-£10,000	1	3
£10,001-£15,000	3	—
£15,001-£20,000	—	1
£20,001-£25,000	1	—
£75,001-£80,000	—	1
£80,001-£85,000	—	1
£85,001-£90,000	1	—
£90,001-£95,000	2	—
£115,001-£120,000	—	1
£130,001-£135,000	1	—

12 Tangible fixed assets – group

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or valuation:					
At 28th September 1991	15,562	615	210	94,298	110,685
Exchange differences	622	–	–	2,319	2,941
Reclassifications	25	–	58	(83)	–
Additions at cost	835	–	–	14,218	15,053
Disposals	–	–	–	(2,235)	(2,235)
At 3rd October 1992	17,044	615	268	108,517	126,444
Depreciation:					
At 28th September 1991	3,010	136	189	53,076	56,411
Exchange differences	205	–	1	1,822	2,028
Reclassifications	17	–	44	(61)	–
For the year	445	12	1	8,310	8,768
On disposals	–	–	–	(1,920)	(1,920)
At 3rd October 1992	3,677	138	235	61,227	65,287
Net book value at 3rd October 1992	13,367	467	33	47,290	61,157
Net book value at 28th September 1991	12,552	479	21	41,222	54,274
Fixed assets comprise:					
Cost	13,100	–	152	108,517	121,769
Valuation 1980	3,944	615	116	–	4,675
	17,044	615	268	108,517	126,444

Basis of the 1980 valuation was open market and existing use.

	1992 £'000	1991 £'000
Net tangible assets comprise:		
Owned assets	50,654	41,005
Leased assets	10,503	13,269
	61,157	54,274
Depreciation for the year comprises:		
Owned assets	6,070	5,292
Leased assets	2,698	2,600
	8,768	7,892

If land and buildings had not been revalued they would have been included in the financial statements at the following amounts:

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000
Cost	18,349	327	132
Depreciation	5,540	126	119
Net book value at 3rd October 1992	12,809	201	13
Net book value at 28th September 1991	11,971	208	–

13 Tangible fixed assets – Avon Rubber p.l.c.

	Freeholds £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or valuation:				
At 28th September 1991	7,686	615	4,154	12,455
Reclassifications	25	–	(25)	–
Additions at cost	32	–	24	56
Inter company transfers	–	–	(4,057)	(4,057)
At 3rd October 1992	7,743	615	96	8,454
Depreciation:				
At 28th September 1991	902	136	2,313	3,351
Reclassifications	17	–	(17)	–
For the year	132	12	331	475
On inter company transfers	–	–	(2,586)	(2,586)
At 3rd October 1992	1,051	148	41	1,240
Net book value at 3rd October 1992	6,692	467	55	7,214
Net book value at 28th September 1991	6,784	479	1,841	9,104
Fixed assets comprise:				
Cost	3,819	–	96	3,915
Valuation 1980	3,924	615	–	4,539
	7,743	615	96	8,454

Basis of the 1980 valuation was open market and existing use.

	1992 £'000	1991 £'000
Net tangible assets comprise:		
Owned assets	6,747	7,340
Leased assets	467	1,764
	7,214	9,104
Depreciation for the year comprises:		
Owned assets	206	255
Leased assets	269	532
	475	787

If land and buildings had not been revalued they would have been included in the financial statements at the following amounts:

	Freeholds £'000	Long leaseholds £'000
Cost	9,049	327
Depreciation	2,916	126
Net book value at 3rd October 1992	6,133	201
Net book value at 28th September 1991	6,262	208

14 Fixed asset investments – group

	Associated companies		Other investments other than loans	Total
	£'000	£'000	£'000	£'000
Unlisted shares at cost:				
At 28th September 1991		251	2,000	2,251
Capitalisation of loan		–	1,200	1,200
Unrealised exchange differences		1	–	1
At 3rd October 1992		252	3,200	3,452
Amount written off during the year			(1,000)	(1,000)
Group share of undistributed profits in associated companies:				
At 28th September 1991	1,022			
Unrealised exchange differences	(85)			
For the year	98			
Written off investments	(300)			
At 3rd October 1992		735	–	735
Net book value at 3rd October 1992		987	2,200	3,187
Net book value at 28th September 1991		1,273	2,000	3,273

A list of undertakings in which the company has a participating interest appears on page 39.

15 Fixed asset investments – Avon Rubber p.l.c.

	Group undertakings	Other investments other than loans	Total
	£'000	£'000	£'000
Unlisted shares at cost:			
At 28th September 1991	73,820	2,000	75,820
Additions	779	–	779
Capitalisation of loan	–	1,200	1,200
Transferred to subsidiary undertaking	(14)	–	(14)
At 3rd October 1992	74,585	3,200	77,785
Amounts written off:			
At 28th September 1991	14	–	14
Transferred to subsidiary undertaking	(14)	–	(14)
During year	–	1,000	1,000
At 3rd October 1992	–	1,000	1,000
Net book value at 3rd October 1992	74,585	2,200	76,785
Net book value at 28th September 1991	73,806	2,000	75,806

A list of group undertakings and undertakings in which the company has a participating interest appears on page 39.

16 Other investments other than loans

The investment at 3rd October 1992 represents the cost of the holding of 30% of the ordinary share capital of Motorway Tyres and Accessories Limited, less amounts written off.

In the opinion of the directors the disposition of the shareholdings in Motorway prevents the company exercising significant influence and accordingly Motorway, although an undertaking in which the company has a participating interest, is not accounted for as an associated company. The aggregate amount of the share capital a n reserves of the company as at 31st December 1991 is £7,299,000 (1990 £7,363,000) and the loss for the year then ended was £4,065,000 (1990 £3,933,000).

17 Other financial commitments

	1992		1991	
	Group £'000	Parent £'000	Group £'000	Parent £'000
Capital expenditure committed	3,665	–	1,845	31
Future capital expenditure	5,567	–	5,476	13

Capital expenditure committed represents the amount contracted at the end of the financial year for which no provision has been made in the financial statements.

Future capital expenditure represents the amount authorised by the board at the end of the financial year for which no contracts had been placed at that date.

The annual commitments for non-cancellable operating leases were:

	1992		1991	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
For leases expiring:				
Within 1 year	19	272	178	183
In 2-5 years	285	1,097	405	858
Over 5 years	946	31	974	22
	1,250	1,400	1,557	1,063

The majority of leases of land and buildings are subject to rent reviews.

18 Stocks

	1992 £'000	1991 £'000
Raw Materials	7,016	7,220
Work in progress	8,044	7,730
Finished goods	19,628	18,696
	34,688	33,646

19 Debtors – group

	1992 £'000	£'000	1991 £'000	£'000
Amounts falling due within one year:				
Trade debtors	37,990		36,434	
Associated companies	45		—	
Undertaking in which the company has a participating interest	2,273		2,421	
Deferred tax	151		1,788	
Other debtors	3,255		3,112	
Prepayments	1,909	45,623	1,243	44,998
Amounts falling due after more than one year:				
Loan to undertaking in which the company has a participating interest	1,727		2,927	
Deferred tax	1,124		1,050	
Other debtors	2,420	5,271	856	4,833
		50,894		49,831

20 Debtors – Avon Rubber p.l.c.

	1992 £'000	£'000	1991 £'000	£'000
Amounts falling due within one year:				
Trade debtors	53		16	
Group undertakings	929		1,010	
Undertaking in which the company has a participating interest	4		7	
Other debtors	361		1,299	
Prepayments	5	1,352	20	2,352
Amounts falling due after more than one year:				
Loan to undertaking in which the company has a participating interest	1,727		2,926	
Deferred tax	35		33	
Other debtors	806	2,568	—	2,959
		3,920		5,311

21 Creditors–group

	1992 £'000	1992 £'000	1991 £'000	1991 £'000
Amounts falling due within one year:				
Current instalments due on loans		2,338		2,184
Bank loans and overdrafts		12,140		2,108
Finance leases		2,649		4,093
Total borrowings falling due within 1 year		17,127		8,385
Trade creditors		21,674		19,735
Bills of exchange		5,851		5,142
Corporation tax		1,243		2,619
Other taxation and social security		3,833		5,318
Other creditors		1,830		599
Accruals		9,459		7,602
Proposed dividend on ordinary shares		2,453		2,414
		63,470		51,814
Amounts falling due after more than one year:				
Bank loans (secured £2,052,000, 1991 £1,398,000)	17,056		19,932	
Current instalments due	(2,338)	14,718	(2,184)	17,748
Finance leases up to 5 years		2,831		5,390
Total borrowings falling due after more than one year		17,549		23,138
Corporation tax		24		20
Other creditors		2,398		2,219
		19,971		25,377

	1992 Bank overdrafts and loans £'000	1992 Other borrowings £'000	1991 Bank overdrafts and loans £'000	1991 Other borrowings £'000
In 1 year or less, or on demand	14,478	2,649	4,292	4,093
Between 1 and 2 years	6,638	1,604	11,721	2,677
Between 2 and 5 years	7,706	1,227	5,924	2,713
Over 5 years	374	–	103	–
	29,196	5,480	22,040	9,483

Bank loans falling due in over 5 years are repayable by instalments at rates of interest varying between 8.25% and 11.19% per annum.

22 Creditors – Avon Rubber p.l.c.

	1992 £'000	£'000	1991 £'000	£'000
Amounts falling due within one year:				
Current instalments due on loans		855		–
Bank overdrafts		45		676
Trade creditors		21		165
Group undertakings		250		68
Finance leases				534
Corporation tax		173		1,130
Other taxation and social security		1		726
Other creditors		40		39
Accruals		1,582		1,479
Proposed dividend on ordinary shares		2,421		2,414
		5,988		[illegible]
Amounts falling due after more than one year:				
Bank loans	7,077		6,691	
Current instalments due	(855)	6,222	–	6,691
Finance leases up to 5 years		–		527
		6,222		7,218

23 Provisions for liabilities and charges – group

	Pension deferral £'000	*Reorganisation costs £'000*	*Total £'000*
Balance at 28th September 1991	5,113	5,575	10,688
Charged to profit and loss account	3,467	–	3,467
Utilised	(3,243)	(5,118)	(8,361)
Balance at 3rd October 1992	5,337	457	5,794

24 Provisions for liabilities and charges – Avon Rubber p.l.c.

	Pension deferral £'000
Balance at 28th September 1991	180
Charged to profit and loss account	72
Utilised	(66)
Balance at 3rd October 1992	186

25 Contingent liabilities

	1992 Group £'000	*Parent £'000*	*1991 Group £'000*	*Parent £'000*
Guarantees of overdraft facilities and loans of group undertakings	–	19,985	–	16,719
Bills under discount	90		639	–
Bills payable endorsed	–	896	–	921
Other guarantees	1,154	156	785	288
	1,244	21,037	1,424	17,928

26 Share capital

	1992 £000	1991 £000
Authorised:		
27,000,000 (1991 27,000,000) ordinary shares of £1 each	27,000	27,000
500,000 4.9% cumulative preference shares of £1 each	500	500
	27,500	27,500
Called up, allotted and fully paid:		
21,051,810 (1991 20,994,227) ordinary shares of £1 each	21,052	20,994
500,000 4.9% cumulative preference shares of £1 each	500	500
	21,552	21,494

	1992 Number	1991 Number
During the year the following shares were issued pursuant to:		
Executive Share Option Scheme	35,376	—
Savings Related Share Option Scheme	4,370	24,755
Scrip dividend facility	17,837	—
	57,583	24,755

Directors and others hold options to subscribe for the following number of ordinary shares of £1 each:

	At the beginning of the year Number	Option Price (£)	At the end of the year Number	Option Price (£)	Exercisable at any time up to
Executive Share Option Scheme:					
J.S.Harper	40,000	4.27	40,000	4.27	December 1999
D.J.Hudson	35,376	2.75	—	—	
	13,381	5.86	13,381	5.86	February 1995
	6,065	4.27	6,065	4.27	February 1995
	20,000	4.47	20,000	4.47	February 1995
A.K.Mitchard	65,391	2.75	65,391	2.75	June 1995
	12,396	3.56	12,396	3.56	June 1995
	9,890	6.77	9,890	6.77	June 1995
	13,000	4.27	13,000	4.27	June 1995
B.Stacey	41,589	2.75	41,589	2.75	June 1995
	16,000	4.27	16,000	4.27	June 1995
S.J.Willcox	15,495	6.46	15,495	6.46	August 1997
	15,000	4.27	15,000	4.27	December 1999
Others	38,403	2.75	38,403	2.75	August 1997
	15,495	6.46	15,495	6.46	August 1997
	13,000	4.27	13,000	4.27	June 2000
Savings Related Share Option Scheme 1981:					*Exercisable during*
S.J.Willcox	1,760	2.48	1,760	2.48	1993
	920	4.73	920	4.73	1994
	4,615	1.95	4,615	1.95	1998
Others	255,440	1.95-6.05	217,830	1.95-6.05	1992-1998
Sharesave Option Scheme 1992:					
J.S.Harper	—	—	2,155	2.61	1997
S.J.Willcox	—	—	5,172	2.61	1999
Others	—	—	505,745	2.61	1997-1999

27 Share premium account and reserves – group

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 28th September 1991	13,216	372	14,598
Premiums on share options	68	—	—
Transfer from revaluation reserve to profit and loss	—	(17)	17
Scrip dividend	(18)	—	63
Unrealised exchange differences:			
on overseas investments	—	—	930
on related borrowings	—	—	(259)
Current year	—	—	2,669
At 3rd October 1992	13,266	355	18,016
Avon Rubber p.l.c. and subsidiaries	13,266	355	16,981
Associated companies	—	—	1,035
At 3rd October 1992	13,266	355	18,016

On 3rd October 1992 the cumulative goodwill written off amounted to £41,078,000 (1991 £41,078,000).

28 Share premium account and reserves – Avon Rubber p.l.c.

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 28th September 1991	13,216	16,439	270	26,903
Premiums on share options	68	—	—	—
Transfer from revaluation reserve to profit and loss	—	—	(4)	4
Scrip dividend	(18)	—	—	61
Unrealised exchange differences	—	—	—	(259)
Current year	—	—	—	(2,558)
At 3rd October 1992	13,266	16,439	266	24,151

29 Net cash flow from operating activities

	1992 £'000	1991 £'000
Operating profit before exceptional items	12,877	11,102
Depreciation of tangible fixed assets	8,668	7,892
Profit on sale of tangible fixed assets	(48)	9
Increase in stocks	(1,042)	4,295
Increase in trade debtors	(1,556)	(905)
Increase in associated company debtors	(45)	72
Decrease in related company debtors	148	111
Increase in other debtors	(2,124)	192
Increase in prepayments and accrued income	(578)	1,048
Increase in trade creditors	1,135	(1,139)
Increase in bills payable	709	543
Decrease in other tax and social security payable	(1,485)	473
Increase in other creditors	1,230	(1,217)
Increase in accruals	2,284	2,708
Increase in pension deferral	224	3,183
Associated company profits transferred	(449)	(386)
Reorganisation costs paid	(5,118)	(183)
Effect of foreign exchange rate changes	(13)	(16)
Net cash flow from operating activities	14,817	27,782

30 Analysis of changes in finance during the year

	Share capital and share premium £'000	Loans and finance leases £'000
Balance as at 28th September 1991	34,710	29,415
Shares issued for cash	108	—
New loans	—	1,390
Loans repaid	—	(1,412)
New finance leases	—	289
Finance leases repaid	—	(4,291)
Effect of foreign exchange rate changes	—	1,834
Balance as at 3rd October 1992	34,818	27,225

31 Analysis of cash and cash equivalents as shown in the balance sheet

	1992 £'000	1991 £'000	Change in year £'000
Cash in hand and at bank	3,844	4,531	(687)
Overdrafts	(7,451)	(2,108)	(5,343)
	(3,607)	2,423	(6,030)

32 Analysis of changes in cash and cash equivalents during the year

	£'000
Balance as at 28th September 1991	2,423
Net cash outflow before exchange adjustments	(7,864)
Exchange adjustments:	
Use of average rate	308
Opening cash balances	1,526
Balance as at 3rd October 1992	(3,607)

	Group interest	Country of incorporation
HELD BY PARENT COMPANY		
Avon Polymer Products Limited		
Avon Rubber Company East Africa Limited		
Avon Rubber Overseas Limited		
Avon Rubber Pension Trust Limited		
Undertaking in which the company has a participating interest (held by parent company):		
Motorway Tyres & Accessories Limited	30%	
HELD BY GROUP UNDERTAKINGS		
Avon-Ames Limited	51%	
Avon Caoutchouc SA		France
Avon-Clevite Limited	51%	
Avon Illinois Inc.		USA
Avon Industrial Polymers (Deutschland) GmbH		Germany
Avon Inflatables (Cowes) Limited		
Avon Inflatables Limited		
Avon North America Inc.		USA
Avon Reifen (Deutschland) GmbH		Germany
Avon Rubber Holland BV		Netherlands
Avon-S & H Limited	51%	
Avon Seagull Marine Inc.		USA
Avon (Suisse) SA		Switzerland
Avon Technical Services Limited		
Avon Tyres Limited	80%	
Bell Avon Inc.	80%	USA
Cadillac Rubber and Plastics Inc.		USA
Cadimex SA de CV		Mexico
CQC PLC		
CT Rubber and Plastics Inc.	60%	USA
Injected Rubber Products Corporation		USA
Nova Insurance Limited		Guernsey
Sillinger SA		France
Société Française des Caoutchoucs Spencer-Moulton		France
Tabur Caoutchouc SA		France
Undertakings in which the company has a participating interest (held by group undertakings):		
Ames-Avon Industries	49%	USA
Avon Marketing Services (Kenya) Limited	33%	Kenya
Avon Rubber Company (Kenya) Limited	36%	Kenya

Shareholdings are ordinary shares and are wholly owned except where shown. All of the undertakings in which the company has a participating interest and which are held by group undertakings are also associated companies within the meaning of Statement of Standard Accounting Practice Number 1.

Except where otherwise shown all companies are incorporated in England and Wales and operate primarily in their country of incorporation.

Except for Avon Rubber Pension Trust Limited, CQC PLC and Nova Insurance Limited which are pension fund trustees, manufacturers of specialised textiles and insurers respectively, the activities of all of the above companies are the manufacture and/or distribution of rubber and other polymer based products.

A number of non-trading and small group undertakings have been omitted on the grounds of immateriality.

Auditors' Report

To the members of Avon Rubber p.l.c.

We have audited the financial statements on pages 18 to 39 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 3rd October 1992, and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Bristol

13th January 1993

Shareholders and Financial Calendar

Shareholders

On 31st December 1992 the company had the following number of shareholders:

£1 ordinary shares	1,769
4.9% cumulative preference shares of £1 each	56

Of the ordinary shareholders, 1,175 (66.4%) had holdings of 1,000 shares or less.

Financial calendar

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

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

Interim ordinary dividend declared in May and paid in July.

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

Annual General Meeting held in February.

	1992 £000	1991 £000	1990 £000	1989 £000	1988 £000
Turnover	232,153	227,184	224,820	228,590	226,855
Profit on trading	21,196	18,608	[illegible]	22,630	23,609
Share of profits of associated companies	449	386	378	279	538
	21,645	18,994	23,282	22,909	24,147
Depreciation	8,768	7,892	7,480	6,314	5,280
Operating profit	12,877	11,102	15,802	16,595	18,867
Interest	3,725	4,379	5,188	4,131	2,600
Profit before exceptional items	9,152	6,723	10,614	12,464	16,267
Exceptional profits	1,508	–	–	–	–
Exceptional costs	(1,300)	(5,758)	–	–	–
Profit before taxation	9,360	965	10,614	12,464	16,267
Taxation	2,563	137	2,990	3,703	4,902
Profit after taxation	6,797	828	7,624	8,761	11,365
Minority interests	630	600	1,150	1,026	620
	6,167	228	6,474	7,735	10,745
Extraordinary profit	–	–	–	13,370	–
Extraordinary costs	–	–	–	–	(2,180)
Profit attributable to Avon shareholders	6,167	228	6,474	21,105	8,565
Preference dividends	25	25	25	25	25
Ordinary dividends	3,473	3,463	3,460	3,232	2,332
Retained profit	2,669	(3,260)	2,989	17,848	6,208
Fixed assets and investments	64,344	57,547	54,623	51,453	36,671
Working capital	36,817	37,809	41,009	40,924	33,566
Provisions	(5,794)	(10,688)	(1,930)	–	–
Assets employed	95,367	84,668	93,702	92,377	70,237
Financed by:					
Ordinary share capital	21,052	20,994	20,969	20,832	18,660
Reserves attributable to Avon shareholders	31,637	28,186	31,000	29,547	31,976
Preference share capital	500	500	500	500	500
Minority shareholders' interests	11,346	7,996	7,579	7,356	923
Shareholders' capital employed	64,535	57,676	60,048	58,255	50,059
Net borrowings	30,832	26,992	33,654	34,122	20,178
Capital employed	95,367	84,668	93,702	92,377	70,237
Earnings per share	29.2p	1.0p	30.8p	42.6p	62.4p*
Dividends per share	16.5p	16.5p	16.5p	16.5p	14.0p

*Adjusted for rights issue.

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire on Monday 8th February 1993 at 2.30 pm for the following purposes:

1. To receive and consider the report of the directors and the financial statements for the year ended 3rd October 1992 (Resolution No. 1).

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

3. To elect directors:

   Mr J.M. Woolley, who was appointed to the board on 1st April 1992, retires under Article 91 and, being eligible, offers himself for re-election (Resolution No. 3).

   Mr J.M. Pinckard retires by rotation and, being eligible, offers himself for re-election (Resolution No. 4).

4. To appoint Coopers & Lybrand as auditors (Resolution No. 5).

5. To transact any other routine business.

6. As special business to consider and, if thought fit, pass the following Resolution which will be proposed as a Special Resolution (Resolution No. 6).

   "That the authority and power conferred on the directors by Article 11 (B) of the company's articles of association be renewed for the period ending on the date of the annual general meeting in 1994 or on 8th May 1994 whichever is the earlier, and for such period:

   (a) the section 80 amount shall be £5,948,025, and

   (b) the section 89 amount shall be £1,052,590".

7. As special business to consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution (Resolution No. 7):

   "That with effect from 8th February 1993 non executive directors of the company shall be paid such ordinary remuneration not exceeding in the aggregate £100,000 per annum as the board of directors may determine from time to time".

A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

By order of the board
C.L. MARTIN, Secretary
Melksham, Wiltshire.

13th January 1993

A form of proxy is enclosed. The appointment of a proxy will not prevent an ordinary shareholder from subsequently attending and voting at the meeting in person.

To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be deposited at the company's registered office not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

The following are available for inspection at the company's registered office during business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the conclusion of the annual general meeting and will also be available for inspection at the place of the meeting from 15 minutes before it is held until its conclusion:

(i) the register of directors' interests showing any transactions of directors and their family interests in the share capital of the company;

(ii) copies of all contracts of service under which directors of the company are employed by the company or any of its subsidiaries.

Article 11 of the Articles of Association of the company both authorises your board to allot shares and disapplies shareholders' pre-emption rights, on an annually renewable basis, to the extent permitted by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds ("the Investment Committees").

The authority referred to above was renewed at the annual general meeting in 1992 and will, unless again renewed by the shareholders, expire at the end of the forthcoming annual general meeting. The authority can be renewed by way of a relatively simple special resolution. It is therefore proposed as Resolution 6 to renew the authority to allot shares up to an aggregate nominal amount of £5,948,025 (the "section 80 amount") being the amount of the authorised but unissued share capital, and to issue shares for cash, either in connection with a rights issue or to persons other than existing shareholders provided that the issue to such persons would represent not more than 1,052,590 (the "section 89 amount") being 5 per cent of the issued ordinary share capital as shown in the latest audited financial statements.

The proposed new section 80 amount and the proposed new section 89 amount have been adjusted to reflect the increase which has taken place during the year in the issued ordinary share capital as a result of employees and directors exercising their rights under the Avon Rubber p.l.c. Savings Related Share Option Scheme 1981 and the Avon Rubber p.l.c. Executive Share Option Scheme 1986 (together "the Share Option Schemes") and as a result of shareholders taking up ordinary shares pursuant to the scrip dividend alternative approved by shareholders at last year's annual general meeting. In connection with the section 80 amount the Investment Committees require that the amount should be the lesser of the authorised but unissued share capital and an amount equal to 33⅓% of the existing issued ordinary share capital; this year the authorised but unissued share capital is the lesser amount and the section 80 amount has been calculated accordingly.

The authority sought in Resolution 6 complies with the guidelines of the Investment Committees and will, unless subsequently renewed by shareholders, expire at the end of the annual general meeting to be held in 1994 or 8th May 1994 if earlier.

No issue of shares (apart from issues in respect of the exercise of options granted or to be granted to employees or directors under option schemes approved by shareholders, including the Share Option Schemes, and issues in respect of the scrip dividend alternative) is currently contemplated and none will be made which will effectively alter the control of the company without the prior approval of the company in general meeting.

An explanation of Resolution No. 7 is contained in the Chairman's Statement accompanying the Directors' Report and Financial Statements.

Your directors consider that it is in the company's interest that Resolutions 6 and 7 referred to above are passed and they will vote in favour of the Resolutions in respect of their beneficial shareholdings representing less than one third of one per cent of the issued ordinary share capital of the company.