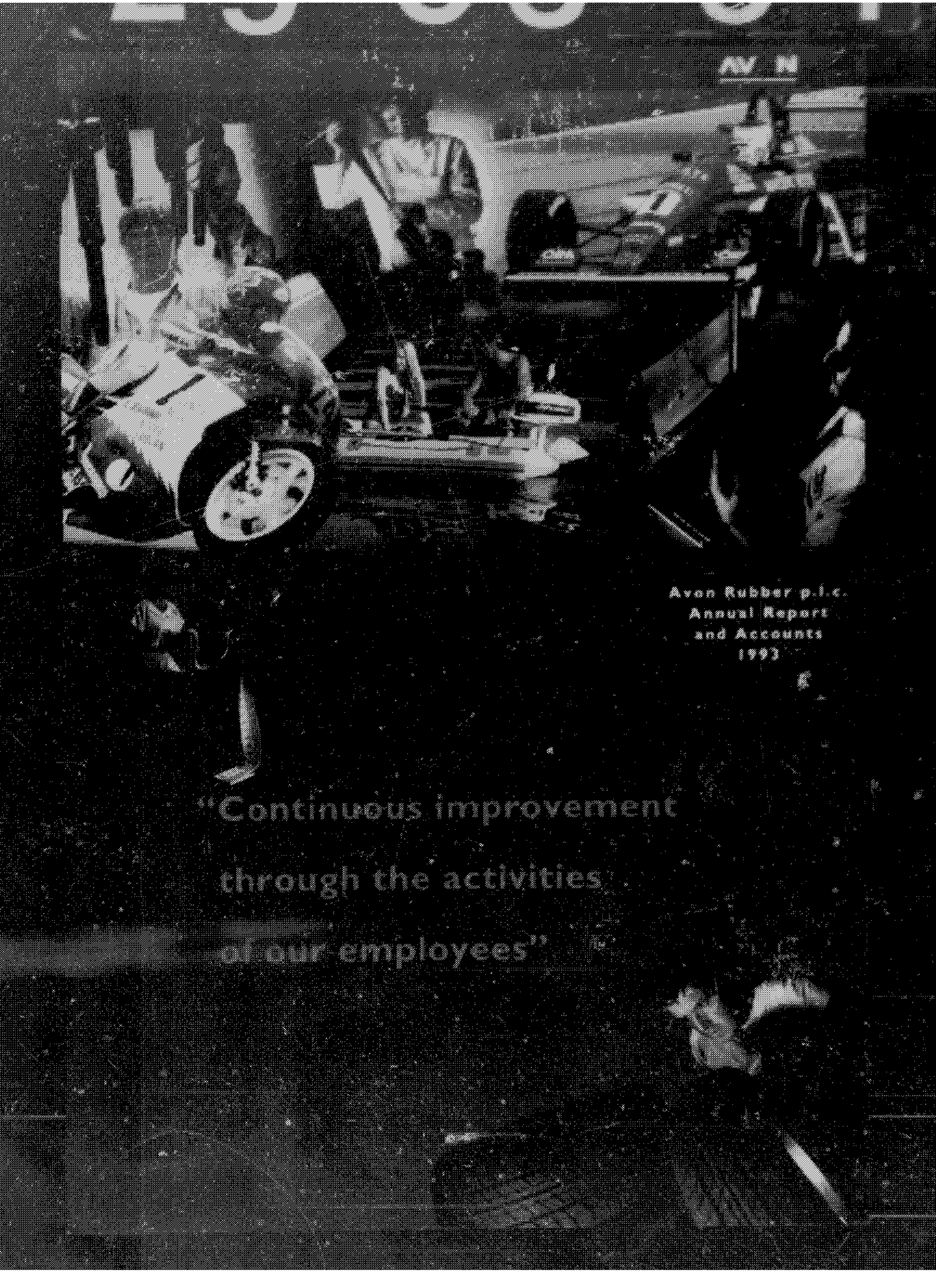
NOTICE OF ILLEGIBLE PAGES

Companies House regrets that documents in this company's record have pages which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause



Avon Rubber p.l.c.
Annual Report
and Accounts
1993

"Continuous improvement through the activities of our employees" [illegible] 1992 — His Royal Highness The Duke of Kent opens the new Avon-Cooper factory in [illegible] which, in joint venture with our American partners Cooper Tire & Rubber, has produced [illegible] components for the European automotive industry. [illegible] 1992 — The [illegible] Professional

Golfers' Association of Europe approves the Avon range of golf grips as the chosen fitment for its 4,000 members in 26 countries. December 1992 — Aston Martin's latest Virage and Volante supercars are equipped with a new Avon tyre to meet their high performance demands. [illegible] CR228D is the first directional tyre produced by a British manufacturer.

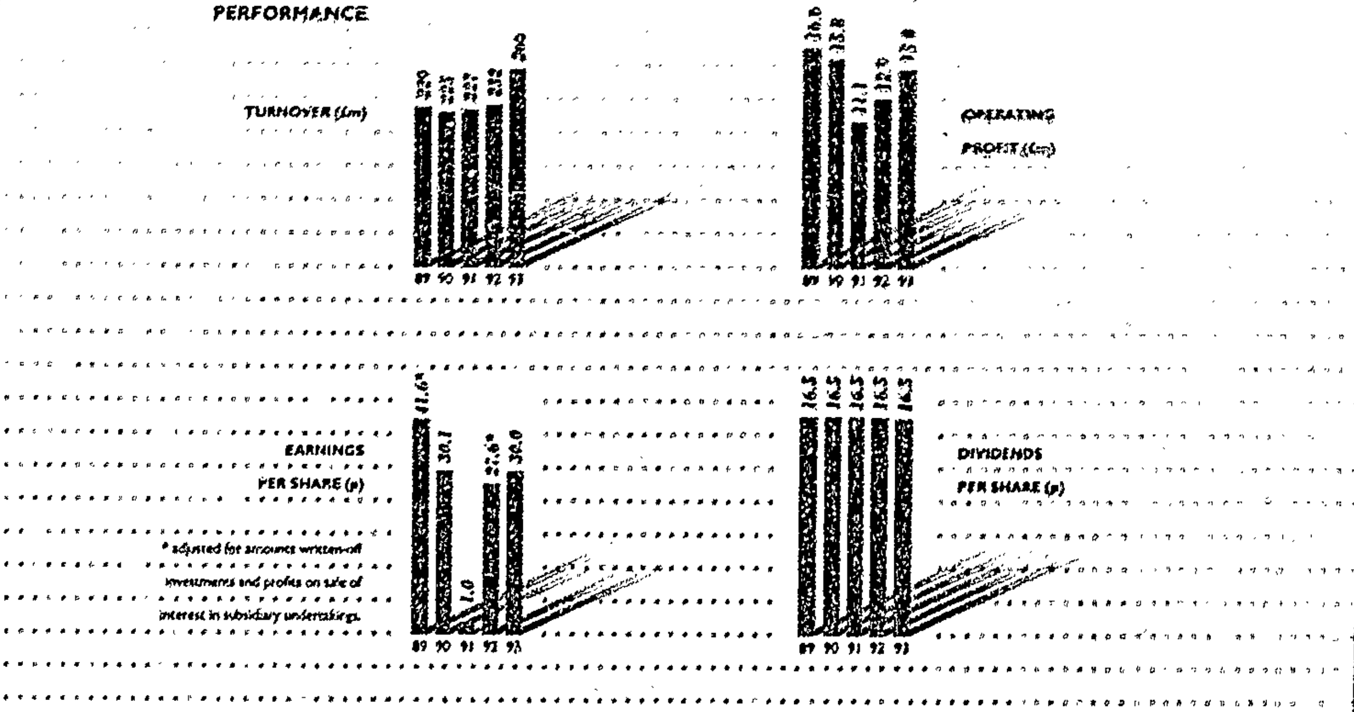
January 1993 — Four new boats are introduced by Avon Inflatables at the London Boat Show. This new generation of craft represents the ultimate development of the rigid inflatable boat concept. February 1993 — Bell Avon Inc wins a multi-million dollar contract from the United States Navy to construct large collapsible fuel tanks for use in active service operations. Worth 6.7 million US dollars (£4.7 million), the order is for the delivery of over 1,000 20,000 gallon collapsible fuel tanks at the rate of 100 per month. March 1993 — Fleet Street journalist Paul Rodgers and his companion Katherine Elkington are rescued after spending eight days adrift in an Avon liferaft in the stormy, shark-infested waters of the South Atlantic. Their yacht, Baltic Wind, hit a submerged object and sank 400 miles from the nearest land — the Falkland Islands. The raft was constantly battered by sharks before they were picked up by a container ship which spotted their distress flare.

April 1993 — A new race-bred performance motorcycle tyre, the Avon AV RZR is introduced by Avon Tyres. Designed to win on the track and the road, it is a replacement for the Avon AV22/23 range. May 1993 — Avon Tyres extends its range of multi-purpose 4x4 tyres with the introduction of the Rangemaster CR34. A new premium low-profile tyre for commercial vehicles is also introduced to complement Avon's AR140 range. It is suitable for fitment to the most modern 7.5 tonne vehicles. June 1993 — The Norwegian Ministry of Defence awards Avon Technical Products Division a contract covering its NBC respirator requirements for the 1990s and beyond. Worth around £15 million, it was won against tough international competition. The new respirator, the Avon FM12, is the result of several years' development. July 1993 — His Royal Highness The Prince Philip, Duke of Edinburgh, presents Avon awards to the winning Wiltshire schools in the West Wilts '93 Schools/Colleges European competition. September 1993 — Bell Avon Inc makes a major breakthrough by winning a contract to supply giant flexible fuel storage tanks to the United States Air Force. Under a contract initially worth 5.3 million US dollars (£3.5 million) which could be increased five-fold in the life of the contract, Bell Avon is to initially supply over 100 50,000-gallon fuel tanks designed to store aviation fuel across the country.

Avon CR228D ZR 17 tyres are approved as the original or replacement fitment for the most powerful Bentley ever built — the Continental R. It is a luxury four seat coupé weighing over two tonnes and with a maximum speed in excess of 150 mph from its turbocharged 6.75 litre V-8 engine.

AVON

FIVE YEAR PERFORMANCE



Financial Highlights

	1993	1992
	£'000	£'000
Turnover	265,685	232,153
Operating profit	14,957	12,877
Profit before taxation	11,014	9,360
Earnings per share	30.0p	28.5p
Dividends per share	16.5p	16.5p

Chairman's Statement

for the year ended 2 October 1993

Results and Dividend

Profit before tax for the year ended 2 October 1993 increased by 17.7% to **£11,014,000** (1992: £9,360,000) despite the recessionary conditions particularly apparent in Continental Europe. Turnover increased by 14.4% to **£265,685,000** (£232,153,000). Particularly satisfactory performances were once again achieved by Cadillac, Avon Tyres and Technical Products Division.

Earnings per share increased by 5.26% to **30.0p** (28.5p). The 1992 figure has been adjusted to reflect the rights issue completed in June 1993.

Gearing at the year end was **13.3%** (47.8%). Capital expenditure during the year amounted to approximately **£16,500,000** (£15,000,000) supported by expenditure on research and development activities of approximately **£6,100,000** (£5,600,000).

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 will again be offered in respect of the final dividend.

Automotive Components Division

This Division experienced a more difficult year than in 1991/2.

Reappraisal of purchasing policies by European vehicle manufacturers has created opportunities for this Division to increase its market share and new business with Rover, Renault, VW and Suzuki reflects the increased competitiveness which is being achieved from our recent reorganisation.

Our ability to serve the European market has been enhanced by the creation of a new production unit in Wales for our automotive air-conditioning joint venture, Avon-S&H Ltd, and by the acquisition in October 1993 of a 65% interest in Avon-Rubena in the Czech Republic. Our vibration management systems joint venture, Avon-Clevite Ltd., is making good progress.

Continuous improvement in this Division has been recognised by a number of quality awards. In particular, our American joint venture, Ames-Avon, has contributed to the winning by our partners, Ames Rubber, of the prestigious Malcolm Baldrige Award; our French subsidiary, Tabur, has been awarded the Brittany Award of Quality; and our Automotive Hose facility at Trowbridge has been given one of only three Gold Awards by the Rover Group.

Technical Products Division

This Division produced a significantly improved profit in most business areas.

The defence business performed particularly strongly, winning a number of export contracts for the S10 Respirator and its derivatives. Following development efforts since the mid-1980's, we have received orders worth over £15,000,000 for our latest FM12 Respirator for delivery from 1994.

In the USA, contracts worth over $18 million were received for hovercraft skirts and collapsible pillow tanks and, in France, Spencer Moulton won useful follow-on acoustic tile business for the French Navy's Submarine programme.

Outside the defence field, good performances were achieved in the Aerosol and Dairy areas but price pressure and lower demand depressed performance in our photocopier roll business.

Avon Tyres

The first half of the year showed encouraging signs of recovery in the UK tyre market and the export market was assisted by the reduction in the value of sterling. During the second half, action taken to reduce operating costs offset the progressive impact on volumes created by lower demand in Continental Europe.

The remould materials business, which benefits in some respects from recessionary conditions, remained buoyant throughout the year and was a significant factor in this Division's overall profit improvement. Valuable contributions to profit were also made by the Racing Division and by the activities of Avon Technical Services in Sri Lanka, China, India and Malaysia.

Cadillac

This Division has produced another strong performance. Although the strength of recovery in the US economy remains unclear, increased vehicle output by the Big Three during the year created greater demand for automotive components and an increased market share in core products. The well reported cost-cutting exercise initiated at General Motors did, however, have an adverse effect on sales and profit at our New York facility.

The non-automotive business continues to develop. Golf grip production commenced during 1993 and sales prospects in this area are good. Sales of milking machine components were significantly higher than those achieved in the previous year.

Avon Inflatables

1993 was again a difficult year in the marine market with many of our dealers and distributors worldwide experiencing a further decline in sales. The US market was particularly affected by the introduction of the luxury tax, now repealed, and by destocking by dealers.

Further action has been taken to reduce overheads and to launch new products in market segments not previously covered. These steps will enable the Division to exploit its premier brand image and high quality reputation while continuing to expand its market share.

The award of significant orders in North America for inflatable boats and anti-pollution equipment at the start of the 1993/4 year gives rise to a more optimistic future outlook.

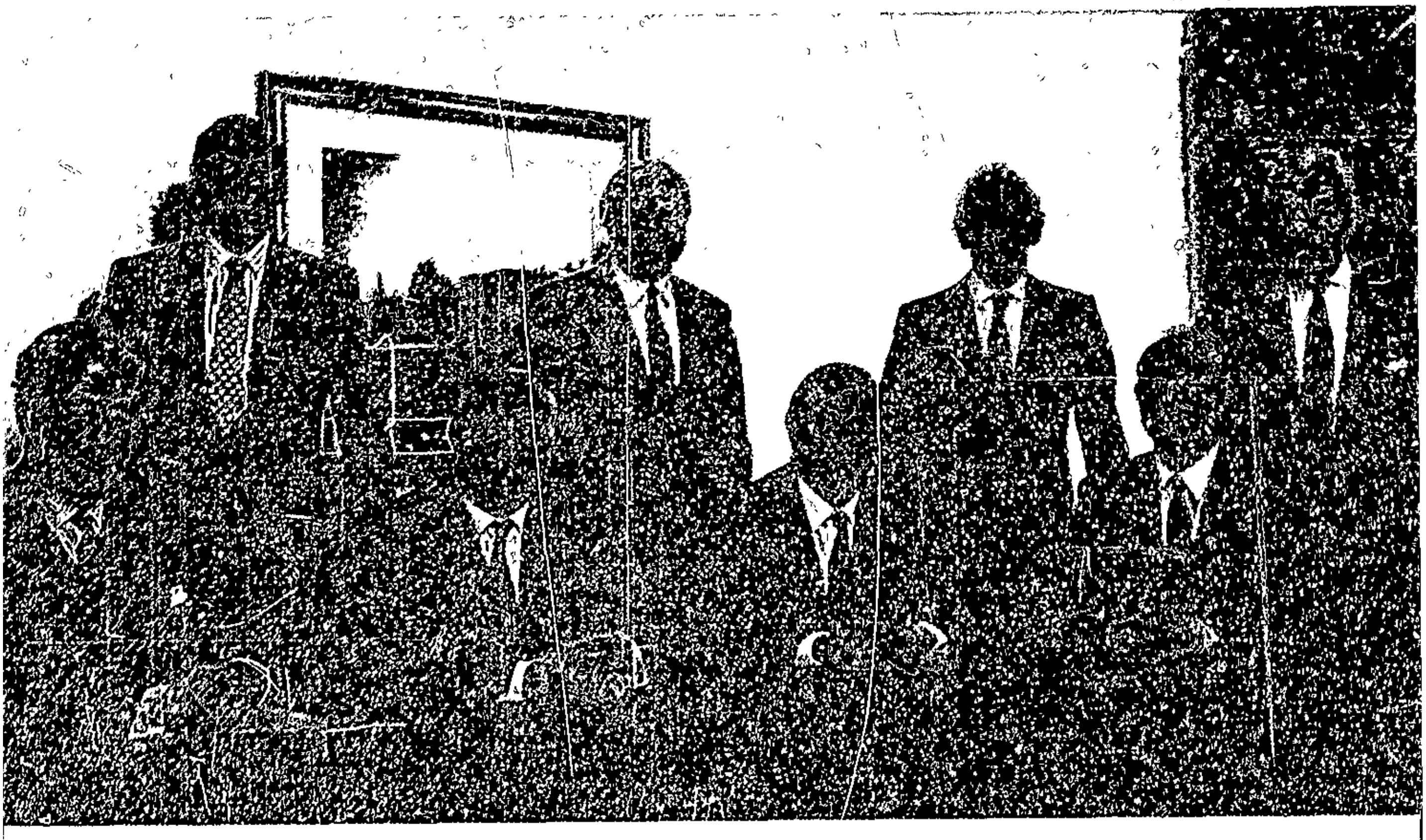
Directors

We are pleased to welcome Mr Donald C. Samardich to the Board as an Executive Director. Mr Samardich, an American citizen aged 54, joined Cadillac Rubber & Plastics, Inc. in 1990 after many years of practice as an Attorney in Michigan. He now holds the post of President and Chief Executive Officer of Cadillac. You will see that a resolution is proposed for his re-election in the Notice convening the Annual General Meeting.

Mr Brian Stacey retired from the Board in April 1993 after 38 years service with the Company. He became Managing Director of Avon Industrial Polymers Ltd in 1980 and was appointed to the Board in 1985. As Commercial Director his contribution included a leading role in the creation of our joint venture companies, Avon-S&H Ltd and Avon-Clevite Ltd.

Mr Derek Hudson retired from the Board in September 1993 after 25 years service with the Company. A member of the Board since 1987, he was for the past 4 years President and Chief Executive Officer of Cadillac.

At the conclusion of the Annual General Meeting Mr Peter Fisher will retire from the Board. He joined Avon in 1948, was appointed to the Board in



1966 and was Chief Executive from 1975 to 1986. He has been Deputy Chairman since 1979.

To Mr Fisher, Mr Stacey and Mr Hudson we extend our thanks for their tireless and valuable contribution to the Group's affairs.

On Mr Fisher's retirement Mr J M Pinckard will succeed him as Deputy Chairman.

Employees

The continuing improvement in our performance in difficult economic conditions would not have been possible without the skill and hard work of our employees and, above all, by their active involvement in planning and introducing programmes of continuous improvement. On your behalf I thank them warmly for their commitment to our progress.

Outlook

The outlook in the UK and the USA affords some encouragement but the continued recession in mainland Europe will constrain development in a number of areas of our business.

Although our businesses at Trowbridge and Tafour are facing intense competition and cut-backs in customers' schedules, Automotive Components as a whole should make good progress in the current year. Performances from Avon-Clevite, Avon-S&H and Avon-Rubena should enable this Division to move against the weak trend in the European automotive market. Further progress should also be seen at Cadillac, assisted by an increased share of a more stable market and by a strong contribution from the Mexican assembly facility. Technical Products should also see progress with particularly good business in liquid storage tanks at Bell Avon and in our range of respirators. The progress of Avon Tyres will inevitably be limited by the more difficult market conditions seen at present.

We expect capital expenditure to amount to approximately £20,000,000 during the current year as proceeds from the Rights Issue are invested in projects judged to have good potential for accelerating the Group's growth and for generating attractive returns.

Good opportunities continue to exist for increased market share and profitable development in key areas as we benefit from the increased international spread of our businesses, from our cost saving programmes and from the enhanced customer focus derived from the 1992 reorganisation.

Avon made good progress in 1992/3 and, although the worldwide economy necessitates a properly cautious approach, we enter the current year well positioned, with a strong balance sheet and with full confidence in our future performance.

The Board of Avon Rubber p.l.c. (left to right) Chairman, Lord Farnham; Deputy Chairman, P M Fisher; Chief Executive, A K Mitchard*; J M Woolley, J S Harper*; J M Pinckard; S J Willcox* and Sir John Milne

D C Samardich* is pictured on page 7

* denotes executive director

Farnham

Lord Farnham Chairman

Directors and Officers

Chairman
The Rt. Hon. Lord Farnham

Chief Executive
A K Mitchard*

J S Harper* | S J Willcox* | D C Samardich* | 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 & transfer office:
Melksham, Wiltshire

Brokers:
Cazenove & Co.

Solicitors:
Linklaters & Paines

Principal bankers:
Barclays Bank plc
Comerica Inc.
Midland Bank plc
Société Générale

Corporate financial advisors:
Baring Brothers & Co. Limited

* Executive Directors
† Company Secretary

Non-executive directors' profiles

Peter Fisher, aged 67, who has been a member of the board since 1966, was appointed deputy chairman in January 1979 and was group managing director between August 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 69, 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 63, 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 58, 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 and Bristol Waterworks plc. Married, with two children, he lives in 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.

Our 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.

Our Values

We endeavour to meet the expectations and needs of all those who have a stake in our success. Good communication, continuous improvement, integrity, mutual trust and loyalty, together with effective business control and compliance with best business practices are fundamental in our dealings with partners, who are:

1. OUR CUSTOMERS – we shall provide products of good value, consistent quality, reliability and safety.
2. OUR EMPLOYEES – to be fair in selection and development and through a high level of training provide job satisfaction in a safe and healthy environment.
3. OUR SUPPLIERS – to trade fairly and, in turn, expect supplies and services of good value, consistent quality, reliability and safety.
4. OUR SHAREHOLDERS – we shall strive to enhance the return on their investments in Avon and provide effective and timely communication of business objectives and results.

and society:

to be good neighbours in the communities in which we operate, while meeting environmental standards.

Corporate Activities

Avon Rubber, founded in Wiltshire in 1885, operates from more than 20 manufacturing sites in Europe and North America.

We design, develop and manufacture high performance elastomer products and systems which are supplied to the world's automotive, engineering, maritime, leisure and defence markets.

Our headquarters remain in the United Kingdom but we have expanded our overseas operations considerably, particularly in mainland Europe and North America.

The United Kingdom remains our largest single market but over 60 per cent of products now go to customers overseas with North American and European Union countries heading the list.

The group's turnover is split almost equally between our three major product groups – tyres, automotive components and technical products. We also manufacture a range of high quality inflatable boats.

Today, Avon has well over 5,000 employees of whom almost 60 per cent are UK-based.

As the 1990s unfold Avon Rubber will continue to develop world-class manufacturing facilities and to expand its activities through organic growth, joint ventures and other opportunities. But in whatever sphere the company operates, the watchwords will continue to be quality, continuous improvement and enhanced customer satisfaction.

Automotive Components Division

Stephen Stone
Managing Director

Slightly improved trading conditions within the UK were more than offset by a steep decline in market confidence in mainland Europe. German, French and Spanish car production all showed substantial reductions over previous years.

This, coupled with Europe-wide 'cost down' programmes, created a difficult year for automotive component suppliers but we more than maintained our position despite intense competition.

More positively, the opening up of the German market allowed us to expand significantly our market share – and the depreciation of sterling continued to provide an advantage in European trading.

The ongoing drive towards total quality in all our factories has been reflected in reduced operational costs and the gaining of ISO 9000 awards and several customer recognitions. Of particular note are the Rover gold and bronze awards, won respectively by our hose and vibration management units, and the Brittany quality award won by our French subsidiary Tabur. Such awards are crucial in cementing customer/supplier partnerships in an increasingly competitive marketplace.

Avon-Clevite was successful in growing its market share for vibration management components during the year. It benefited from the openness of its Continental markets and gained new orders from Audi, Opel and Suzuki. This growth pattern should be aided by the continuing trend towards greater sophistication in vehicle ride and handling characteristics.

The markets in which we operate demand an ever-increasing degree of technology, and our ability to compete effectively has been significantly enhanced by the creation of our specialist mixing unit at Melksham.

Our European hose business, despite pressure from new market sources, was strengthened by investments in France and the Czech Republic. This extra capacity, linked to improved manufacturing techniques designed in-house, brought us new contracts from Ford, Rover, VW and Renault.

Our moulded rubber businesses reflected the general downward trend. However, there were some exceptions, particularly in areas serving the replacement market. Improvements in manufacturing efficiency significantly protected margins.

The demand for our vehicle air conditioning components grew substantially throughout the year. Having outgrown its start-up facility at Melksham, Avon-S&H, our joint venture company specialising in this newly-developed area of our activities, relocated the bulk of its production to a much larger facility in South Wales.

Avon Tyres

Ted Fraser
Managing Director

Encouraging signs of recovery in the UK tyre market during the first half of the year and a reduction in the value of sterling in export markets were later offset by the recession in Continental Europe – which had a progressive impact on sales and profit.

Operating costs were reduced and this, together with considerable improvements in manufacturing quality and efficiency, and the high performance of our marketing team, enabled us to increase profits substantially over last year.

Our renowned motorcycle business remained buoyant throughout the year and was a significant factor in our improved profitability. Once again, our involvement in racing brought success in car, motorcycle and motorcycle sidecar championships, whilst also providing an important shop window for our technological capability.

Recently, we have won the prestigious Formula Ford contract and will be exclusively supplying tyres for the three years 1994-1996.

Avon Technical Services continued to make valuable contributions. New contracts in Sri Lanka and China, together with ongoing contracts and business in India and Malaysia, were the main areas of activity. Levels of interest indicate further business opportunities ahead.

Key investments included the order of a new single stage low profile truck radial tyre-building machine, due for delivery next July. This will provide the increased capacity necessary to meet market needs in a vitally important business sector. Considerable success has been achieved in converting existing presses to manufacture wide section car radial premium tyres.

A fully-integrated standard software information technology system will become operational by the end of the 1993/94 financial year. It will provide major improvements in efficiency and customer service, whilst also reducing operating costs.

Continuous improvement plans have fuelled our drive to improve competitiveness and customer service. Central to our personnel and training policies are our plans to meet the "Investors in People" national standards.

Avon Inflatables

[illegible]
Managing Director

Avon Technical Products

[illegible]
Managing Director

Cadillac Rubber & Plastics

[illegible]

We saw a continuation, and in some cases a worsening, of difficult trading conditions in world-wide marine markets.

We mitigated the worst effects through a combination of aggressive marketing, improved customer service and by continuously improving product quality and operating efficiency.

Although sales to the USA were particularly affected, Avon Seagull Marine continued to trade competitively and profitably.

Our policy of introducing innovative products has been maintained by the launch of the new Seasport rigid inflatable – aimed at the top end of the luxury day-boat market. This has taken us into a new sector of the leisure and yachting market particularly in Florida, California and the Mediterranean. Consumer response has been very enthusiastic.

We also introduced a modified range of liferafts to meet new ISO regulations. Our next major initiative is the launch of a new range of heat-bonded inflatables, the Typhoon series. Using new materials and technology, these exciting craft will allow us to compete in both existing and new markets alongside our current hypalon range.

During the year we were awarded BS 5750 Part I certification as part of our continuous improvement programme. Substantial overhead cost reductions have been achieved which will bear fruit during the new financial year.

Our strategy of achieving world leadership in chosen markets for our diverse portfolio of innovative products is achieving success.

Almost a third of our sales are now in niche markets where we have a leading global share. A further quarter of our sales are in markets where we hold a leading regional position.

Sales to defence customers represent around a third of the Division's turnover, with only a small proportion in the uncertain UK market. Despite a general decline in defence spending, our sales are now even higher than they were five years ago. Significant advances have been made with our military respirators, collapsible pillow tanks, hovercraft skirts and signature management materials.

We gained export contracts for the S10 respirator and its derivatives, including riot control masks for police forces in the Far East and USA and protective masks for the nuclear industry.

More significantly, our new FM12 respirator has won orders worth over £15 million for Scandinavian defence forces, with a substantial potential for further sales world-wide.

Bell Avon continues to grow, having secured its position as sole supplier of skirt systems for the US Navy's LCAC hovercraft building programme until the end of 1995, and with orders for pillow tanks exceeding $12 million during the next three years.
In the commercial sector our aerosol and milk liner units have expanded capacity to meet demand. However, our more mature components business, still largely UK-based, has done less well and the combination of lower demand and fierce price pressure seriously depressed the performance of Avon Ames, our photocopier roll joint venture.

In France, the effect of European recession on our heavy mouldings unit at Malesherbes was somewhat offset by the growth of demand for mini-excavator crawler track components, and by orders for the supply and fitting of signature management materials to naval vessels.

Overall, the Division had a very good year, particularly in the first half. Profits were higher in spite of the recession and all seven business units traded profitably.

The introduction of cell manufacturing techniques has freed up some 2,000 sq metres of space at Melksham, enabling our aerosol unit to be relocated there during 1994.

A down payment for an export contract of over £3 million assisted our cash position, while further improvements resulted from driving stocks and overdue debtors to even lower levels, leading to substantial cash generation.

1993 was another year of progress for Cadillac Rubber & Plastics, which continues to benefit from an increase in market share as well as the growth of the US automotive market.

The Avon board has authorised a $12.6m expansion of our plants in Michigan where demand for our products is particularly high and new business has been secured on future vehicle models. We have installed new mixing facilities, which are state of the art and up to world class standards.

At Manton we have consolidated all US manufacture of milker inflations and golf grip manufacture was commenced in 1993. By the end of 1994, we shall manufacture there all of Avon's golf grips for the US market. We have introduced two new grips, a black and a grey Chamois. A new Tour Wrap grip will be launched in January 1994. Manton also saw a substantial increase in the manufacture of injection moulded air intake ducts.

The Mexican facility continues to operate strongly and has garnered additional business from General Motors. Ford has recommended Cadimex to petition for their extremely prestigious TQE Award in 1994 and, if successful, we expect to be one of the very few Ford suppliers who have attained this award.

The New York operations suffered adversely as a result of the General Motors' target pricing endeavour. However, New York expects to retain business it was originally to have lost, in addition to gaining further business from G. M. and other customers. Plastic moulding has been transferred from Manton to New York, consolidating all plastics manufacture in that operation.

Cadillac has achieved a major technical breakthrough, having developed a unique low-permeation rubber hose. Our plans are to develop this hose primarily through fuel and vapour handling products, initially at one of the large US automotive manufacturers, as well as in non-automotive fuel handling applications.

Increasingly our customers require a "full service" capability from their suppliers and Cadillac is very well equipped to provide this.

Chief Executive's Review

Improvement engineer Sandy Hiscocks checks loading table centrality with an un-cured tyre.

Once again, our business has been conducted in rather difficult market conditions, although the improvements which we detected in the USA last year have been generally maintained. The UK Economy appears to be slightly better twelve months on but its growth is being seriously inhibited by the situation in Continental Europe.

The major economies, elsewhere in the European Union, are seriously depressed and the reduced output from the German motor industry is a particular cause for concern. We tend to the view that there is unlikely to be much, if any, improvement during 1994.

My review is considerably shorter than usual because, this time, as you will have read, our five divisional managing directors are reporting directly on each of their businesses. *"Continuous Improvement"* is a major theme of this year's report and we are seeking, by the use of a few examples, to indicate how our products and services are being enhanced by the active participation of our employees.

These examples are a small cross-section of literally hundreds of similar projects, either successfully completed or ongoing, which include employees of all levels and disciplines throughout the organisation.

Our continuous improvement activities involve the expansion of self-contained and flexible 'cell' manufacturing units. Wherever possible, we seek to reduce, if not eliminate completely, those operations which add cost rather than value. Indeed, it is our intention to accelerate our progress towards the attainment of world class standards in all our operations.

Engineering te
leader Ian Newm
Inspects cu
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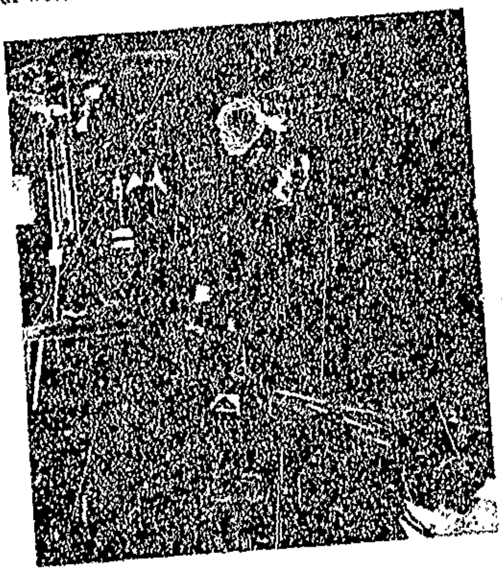
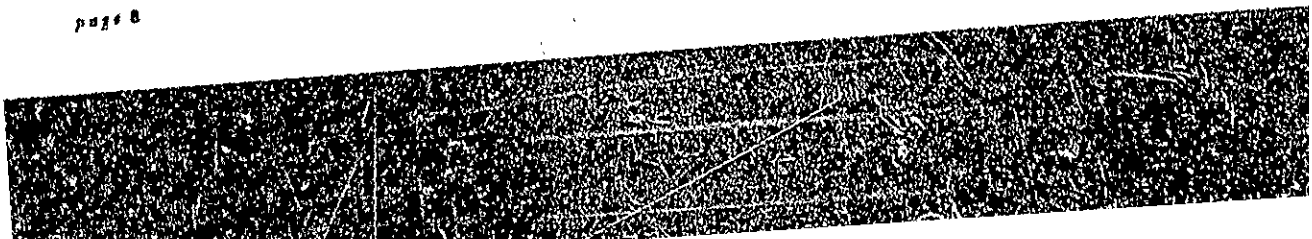


Maintenance engineer Keith Merchant (left) sets up the loading gear and electrical team leader Steve Parley works on the programmable logic controller unit during conversion of another bag-o-matic press.



Project [illegible] Team, left to right: Engineers Sandy [illegible] and Brian Perry, electrical team leader Steve [illegible], electricians Philip Parkin and Brian [illegible], engineering team leader Ian [illegible] and engineer Kevin [illegible].

[illegible]

BAG-O-MATIC TYRE PRESS

An existing bag-o-matic tyre press has been completely rebuilt and modernised by a quality improvement project team in the Avon Tyres car radial factory.

During an eight-month period the press, originally producing crossplies, but now making our latest high performance radial car tyres, was returned to its Manchester-based manufacturers Shaw, modified, improved and then re-installed at Melksham.

It has also been converted to take container moulds – a far more cost-effective method of producing high quality tyres. One container can accommodate a range of 10 or more individual tyre mould inserts.

A replacement for the original press would have cost up to £250,000. However, the project team have brought it up to 'state-of-the-art' performance at a cost of less than half that sum.

Two similar presses are now being converted – so that eventually we will have three totally modernised presses for the equivalent cost of one new machine. And having learned the lessons from the first project, the second and third presses will be converted in only four months' space.

By 1996 a further four presses will be similarly modernised – producing total savings in excess of £1 million.

Working closely with the manufacturer's own engineers, our project team helped to plan and carry out the various modifications and designed sophisticated new electrical control systems.

Said project leader Mike Cowley: "The tools and techniques of total quality management are of increasing benefit in our tyre operations. We find them invaluable in providing solutions to many problems and the team spirit they promote is a vital ingredient of our success."

Chief Executive's Review

(continued)

Such activities will be intensified over the years to come as we seek to compete even more effectively in an environment where customers will demand faster response and shorter lead times, whilst requiring a wider variety of products. At the same time, an increasing number of our major customers on both sides of the Atlantic continue to reduce their supplier base and this is a trend which is working in our favour, since, in several cases already, Avon has been nominated as a long-term partnership supplier.

Component suppliers have to demonstrate to their customers that they have the systems in place to guarantee consistent standards of quality. This is an area where we have achieved considerable success. Already, ten of our operations are approved to either ISO 9001 or 9002, which are the generally accepted international system standards for quality management. Most of our companies have an impressive array of quality awards from major customers, a few of which are mentioned elsewhere in the report.

The whole area of health, safety and environmental protection is one in which our Values Statement, set out on page 5, finds particular expression.

It is clearly understood within all our companies, at home and abroad, that the health and safety of our employees and the protection of the environment are as important as any other business issue.

Operator Tra
Doman makes a f
production su

Development scientist Carol Whiteaker carries out tests with an acoustic pulse tube to determine the properties of sonar baffle material across a range of operational temperatures and pressures.

AUSTRALIAN SUBMARINE CONTRACT

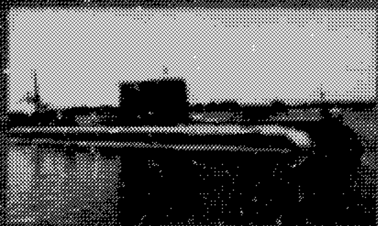
Our design and supply of acoustic baffle materials for the Royal Australian Navy's new fleet of Type 471 submarines has won high praise from our customer, the Australian Submarine Corporation.

Congratulating the company on its total approach to the project, including presentation, the use of production test data and the presentation of test reports, the corporation commented: "It is a model to be followed by others."

Avon's signature management group, part of Avon Technical Products, won the contract against strong international competition. It involved the design, development, manufacture and supply of all the materials – plus expert installation support in Australia – a key factor in the project's success.

It also involved a new application of urethane-based polymer technology giving the submarine's sonar suite significantly improved performance and cost effectiveness.

Two years were spent in the planning and development phases. Project manager Ian Marchant said the project had involved much more than just product supply. "It has also needed very



close customer and sub-contractor liaison. This was necessary in order to meet the sometimes conflicting demands of the various parties involved."

Said the head of signature management group Ramsay Brown: "Our success emphasises the importance of a continual and close dialogue with the customer during the product definition and design stages. This contract has significantly enhanced Avon's international reputation in signature management – leading us into a new area which complements our established business in the design and manufacture of self-sealing tanks."

Chief Executive's Review

continued

Our U.K. operations have either received, or are awaiting from their local authorities, the formal authorisations required by the Environmental Protection Act. One aspect of this process is the development of site-based environmental improvement programmes, which in many cases will enhance operating efficiency as well as environmental performance.

Computer-aided design development supervisor Dave Sharma at work.

We have received, from HM Inspectorate of Pollution, an authorisation to continue the use of our major waste fuel boiler at Melksham and to upgrade that plant to comply with forthcoming 1995 standards.

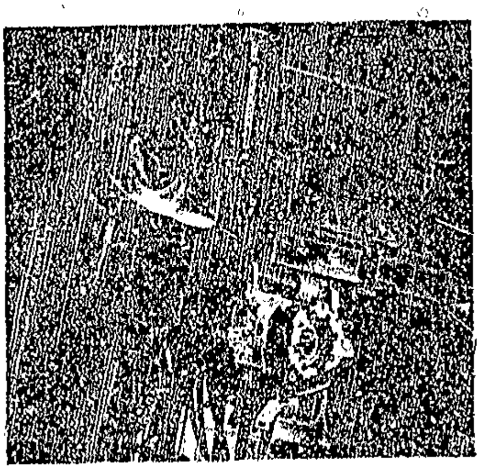
It is hoped, over the next twelve months, to develop this facility as part of a state-of-the-art environmental waste management system, designed to enhance the responsible management of all the waste materials which are generated by our Wiltshire operations. This would, in particular, enable us to re-cycle waste materials wherever possible and to increase the volume of steam which the boiler already provides for manufacturing operations on our Melksham site.

Operator Mike Ta
applies reinforcement
an automotive ho

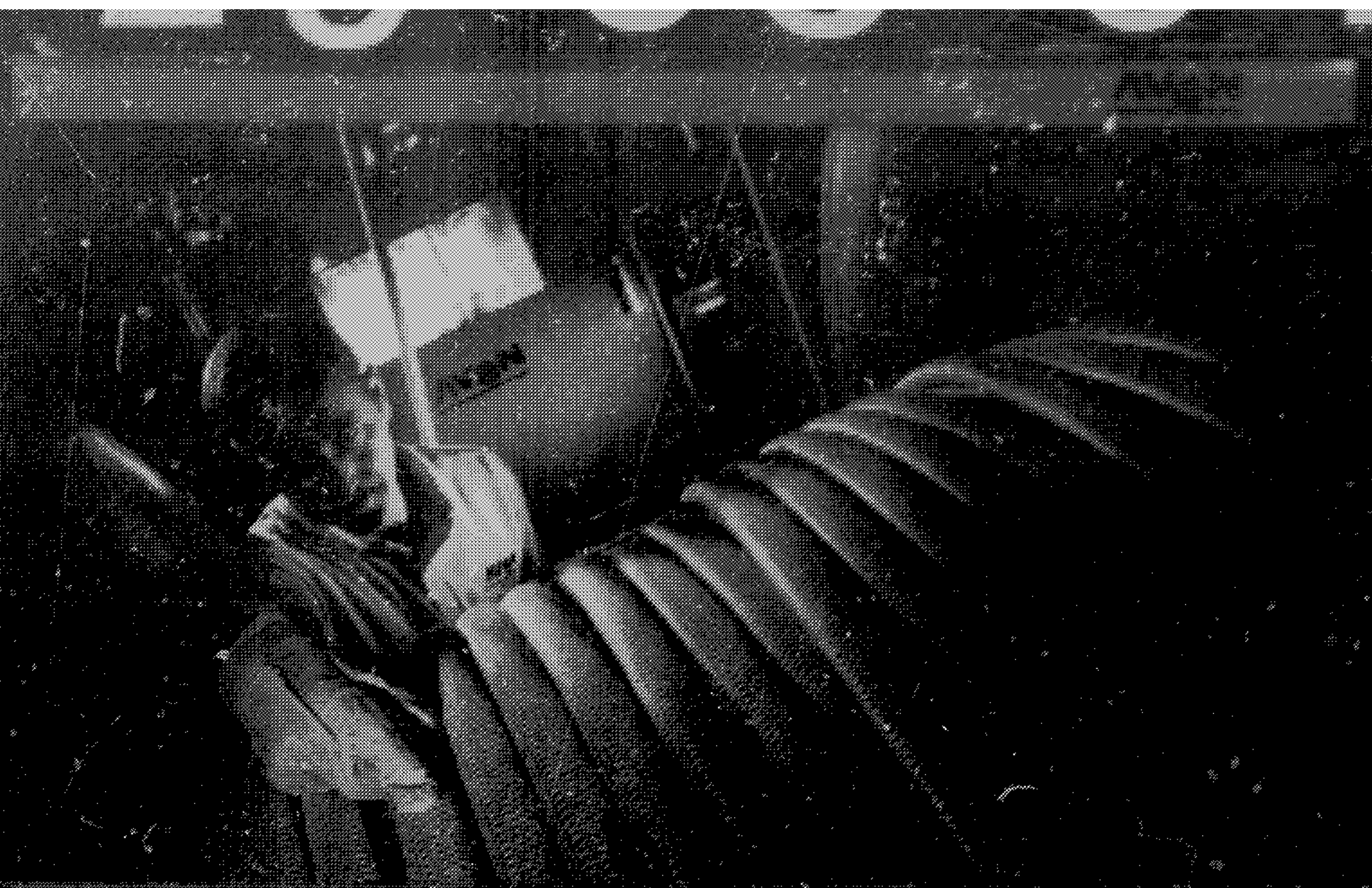
In my report last year, I mentioned that the continuous improvement ethos is now strongly established in Avon and that there could be no better guarantee of a successful future than the involvement of our employees in the quest for improvement.

We have committed ourselves to becoming *"Investors in People"*, which is the national award for excellence in personnel training and development.

The company has seen many changes over recent years and our employees have proved themselves to be highly adaptable and willing to take on new skills. This flexibility will continue to stand us in good stead as we address the challenges and opportunities offered by the markets of the future.



A dual-head extruder being run in a lining extrusion mode by operator John Garrod.



AUTOMOTIVE HOSE TROWBRIDGE

At the heart of manufacturing and process improvements at our Trowbridge automotive hose facility is a development cell established to identify and achieve best practice.

It is an area where new ideas can be introduced and performance measured against world benchmarks in terms of performance, quality and price. Its success will direct the shape of the company's future activities.

The cell has now been operating for a year – and lessons learned are being directly applied to manufacturing operations.

Explained Richard Preston, who has managed the project: "The development cell takes the fear out of trying new ideas. Consequently, we are improving our techniques. At the same time we are helping not only ourselves but also enabling our customers to get the best out of their products and processes too."

The programme featured here relates to material preparation for shaped hose extrusions. Commented general manager Mike James: "The improvement team pictured here, who were largely responsible for setting up the development cell, have now moved back into other operations within the factory.

"Making this investment has enabled us to better understand our manufacturing processes. Over 20 people have been involved in its creation, and up to 40 people have become involved with its activities at some time during the year."

Electrician Mark Bennett, engineering projects manager Tony Marlow, in-line operator Mike Tapp and extruder operator John Garrod

The integrated finishing line for golf grips at Marton.

Project team members. Down, from left to right:
Process engineer Tom Graham, sales supervisor Suzanne Pollicki, director Brian Jones, engineering manager Bill Samsen, factory manager Chuck Strickland, supervisor Steve McLeod and technician Jeff Smith.

CADILLAC PROJECT

[illegible] largest golf grip manufacturer in USA, an in-house purpose designed finishing line installed by Cadillac Rubber and Plastics Inc in its Marton plant has virtually eliminated work in progress. It has also substantially reduced re-working.

An improvement team representing all areas of the company's activities worked for 15 months on the project, with the site now manufacturing 30,000 grips a week for the American market.

After moulding, grips are immediately located on mandrels on a rotary finishing line which pre-fettles, paints, buffs and sizes each grip before removal prior to final inspection and packing. Using the [illegible] 300 grips can be finished every hour.

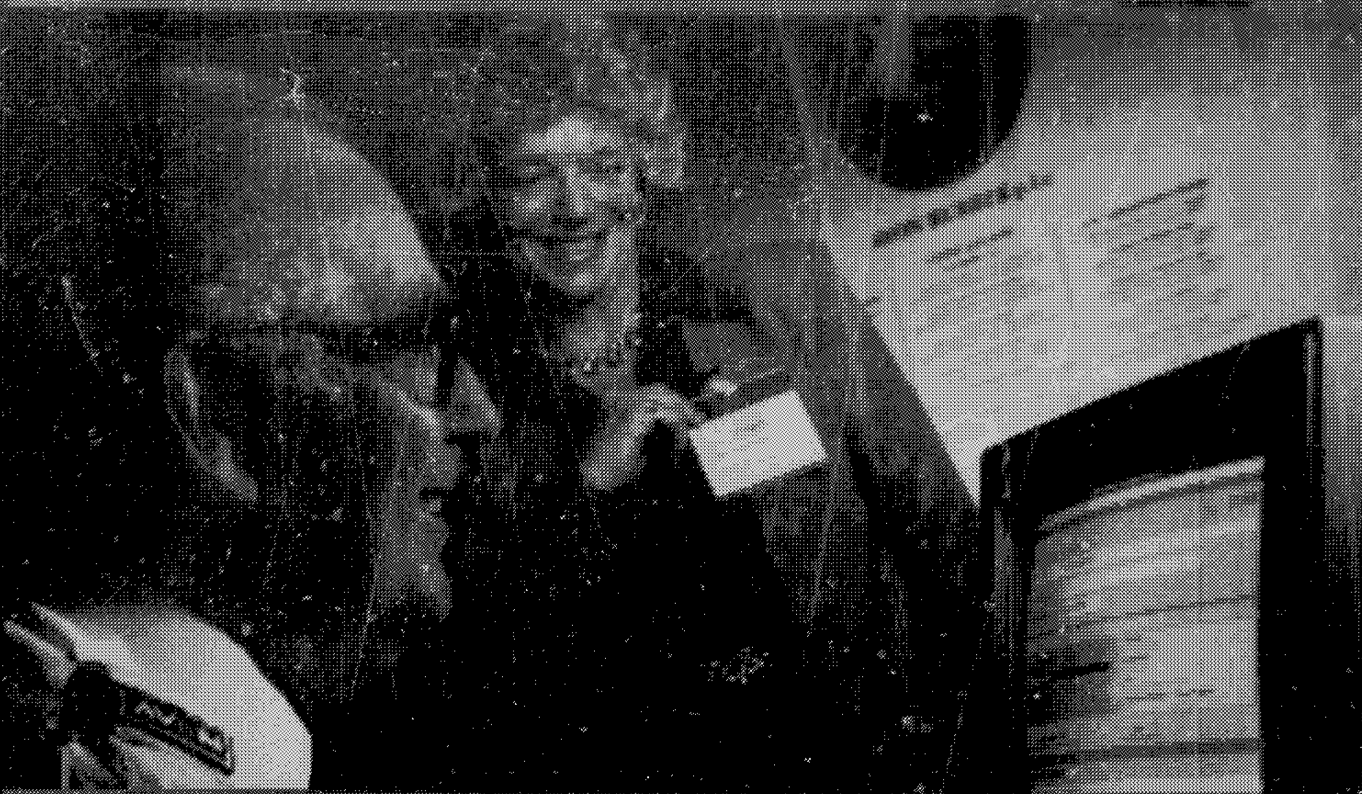
Grips are pre-fettled to take away [illegible] before the body paint and then the detail paint is applied. They then move on to a 2-stage grinding process which buffs the ends and sides of the grip and removes the dust through a vertical [illegible] vacuum. Each grip is then sized and given a final visual inspection before packing.

The finishing line requires only an operator, a technician and two people for re-working and packing. When a second line is introduced in January 1994 production will double. Said Cadillac's director of Technical Products Division Brian Jones: "The project brought together a group of people from all areas of the company. Each made valuable contributions to our determination to produce an integrated and automated finishing system. We used our in-house design facilities and local manufacturers produced the equipment required."

He added: "We are producing grips of a consistently high quality which the customer appreciates. This is being reflected in our increasing sales, particularly of the Avon Chrome and [illegible] grips in America."

Jeff Smith checks the application of the detail painting.

Getting to grips with the American market.



Commissionaire Ted Harrold signs in a visitor at our Pelsham headquarters.

FRONT DESK SECURITY SYSTEM

Visitors to our Pelsham headquarters have been greatly impressed by our new Front Desk security system.

Developed by Group Business Systems, part of Central Services, Front Desk is a simple but effective method of registering visitors entering or leaving the site.

Using a personal computer, commissionaire Ted Harrold prints off a security pass for each visitor and notes the name and telephone extension number of the Avon host.

The system maintains a record of all visitors' cars and where they are parked. A print facility is provided which, in the event of a fire or any other emergency, enables him to print off instantly a list of visitors on the site for use by the Emergency Services.

At the heart of the system is a directory of names, job titles, departments and internal phone numbers of all employees on the site which is maintained by him and through which the system will shortly automatically contact a visitor's host upon his arrival.

Says Ted Harrold: "The smart appearance of the name badges and the way in which we administer the system is very professional. The nicest aspect is that our visitors take such a keen interest and seem very impressed. Quite a lot have said that it is by far the best system they have ever seen."

Rob Litherland and Ian Craig are now introducing the system to other Avon sites – and have begun marketing it to outside organisations.

Project Improvement Team members – left to right:
Personal assistant Jayne Hunt, computer operations manager Ian Craig and CIM manager Rob Litherland.

Directors' Report

The directors submit the one hundred and third annual report and audited financial statements of the company for the year ended 2 October 1993.

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 2 to 15.

2. Results and Dividend

The group profit for the year before taxation amounts to £11,014,000 (1992 £9,360,000). The group profit for the year after taxation and minority interests amounts to £6,912,000 (1992 £6,167,000).

Full details are set out in the profit and loss account on page 20.

An interim dividend of 5p per share (1992 5p) was paid on 16 July 1993. The directors recommend a final dividend of 11.5p per share (1992 11.5p) making a total of 16.5p per share for the year to 2 October 1993 (1992 16.5p).

The total distribution of dividends for the year to 2 October 1993 is £4,134,000 (1992 £3,498,000).

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	–	12,206	–
P M Fisher	9,262	500	11,993	500
J S Harper	–	–	–	–
Sir John Milne	2,000	–	2,500	–
A K Mitchard	3,275	–	4,241	–
J M Pinckard	6,250	–	7,500	–
S J Willcox	–	–	1,734	–
J M Woolley	4,000	–	5,179	–

The executive directors, with the exception of Mr D C Samardich, are all option holders; details are set out in note 11 to the financial statements.

No movements occurred in directors' shareholdings between the end of the financial year and 31 December 1993.

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

Mr B Stacey and Mr D J Hudson retired from the board on 31 March and 30 September 1993 respectively.

Mr D C Samardich, who was appointed to the board on 1 January 1994, retires under Article 91 and, being eligible, offers himself for re-election.

Sir John Milne retires in rotation as a director and, being eligible, offers himself for re-election.

Mr P M Fisher, the deputy chairman, will retire from the board at the annual general meeting.

4. Substantial shareholdings

At 31 December 1993, the following shareholders held 3% or more of the company's issued ordinary share capital:

Morgan Grenfell Group PLC	10.93%
Robert Fleming Holdings Limited	5.86%
Britannic Assurance Public Limited Company	4.52%
Scottish Amicable Investment Management Limited	3.64%
Universities Superannuation Fund	3.53%
A M P Asset Management PLC	3.42%

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, holdings in respect of M&G Investment Management Limited amounting in aggregate to 10.90% and in respect of Save and Prosper Group amounting to 4.75% would be disclosed.

5. Political and charitable contributions

No political contributions were made during the year. Contributions for charitable purposes amounted to £40,009 (1992 £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 retrain 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.

We continue with our programme to achieve *"Investors in People"*, a UK award for excellence in staff training and development. 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 among 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

To support product innovation and the needs of our customers we attach increasing importance to the role of research and development in the group's operations.

Some of the more fundamental work undertaken by the group, normally as part of joint programmes with universities or research organisations, is now helping to improve the efficiency and control of our processes.

The strong relationship that Avon has worldwide with customers and suppliers is of great value and is a strength on which we will continue to build.

The broadening of the group's base has introduced different technologies and skills which will augment our total polymer engineering capability.

Interdisciplinary teams continue to explore new technologies to enhance the production and performance of Avon's products.

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 re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board
C L Martin, Secretary
Melksham, Wiltshire
12 January 1994

Corporate Governance

Statement of compliance with the Code of Best Practice

The Board welcomes the Report of the Committee on the Financial Aspects of Corporate Governance, generally known as the Cadbury Committee.

The Board is of the view that the company has for many years been governed in accordance with the central principles now recommended by the Cadbury Report. Following the publication of the Code of Best Practice in December 1992, however, the Board has reviewed in detail the company's compliance with the terms of the code. Measures put in place as a result of this review have ensured that the company is now in full compliance with the code, apart from the provisions relating to the report by directors on internal controls and going concern. The Cadbury Committee recognised that guidelines would need to be developed to provide a framework for reporting on internal controls and reporting that the company is a going concern; although these guidelines have not yet been finalised, we are glad to comment on these two issues.

The Board is satisfied that the Group has an appropriate system of internal controls which includes a clearly defined delegation of authority from the Board to our operating companies and clear procedures for obtaining approval of major transactions. The Group has established procedures for planning and budgeting and for monitoring the performance of the operating companies and the Group against previously approved plans and budgets. Internal financial controls are in existence which provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The Group's accounts have been prepared on the basis that the Group is a going concern. The Directors are satisfied that the Group is in a sound financial position and in forming this view, the Directors have reviewed the Group's budgets for the current year, outline plans for the following two years, capital expenditure plans and cashflow forecasts.

There is an Audit Committee of the board of directors which meets regularly with management and external auditors to review specific accounting, reporting and internal control matters and to satisfy itself that the systems are operating effectively. The Committee also reviews the interim, preliminary and annual results statements.

Report of the auditors to Avon Rubber p.l.c. on the statement of compliance with the Code of Best Practice

In addition to our audit of the financial statements we have reviewed the directors' statement above concerning the company's compliance with the Code of Best Practice, insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for our review. We carried out our review having regard to the Bulletin 'Disclosures relating to corporate governance' issued by the Auditing Practices Board.

Our procedures primarily comprised enquiry of appropriate directors and officers and examination of relevant documents. We are not required to review, and have not reviewed, the effectiveness of the company's governance procedures.

The directors have made comments above concerning the Group's system of internal control and regarding matters relating to going concern. Having regard to the guidance in the Bulletin issued by the Auditing Practices Board, we have not reviewed nor do we express a conclusion in the following paragraph on those comments.

Based on our review, we have satisfied ourselves that the directors' statement appropriately reflects the company's compliance with the specified paragraphs of the Code.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and
Registered Auditors
Bristol
12 January 1994

Statement of Directors' Responsibilities and Auditors' Report

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group, and of the profit or loss of the company and the Group for that period. In preparing those financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board
C L Martin, Secretary
Melksham, Wiltshire
12 January 1994

Report of the auditors to the members of Avon Rubber p.l.c.

We have audited the financial statements on pages 20 to 44.

Respective responsibilities of directors and auditors

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

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 2 October 1993 and of the profit, total recognised gains 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
Chartered Accountants and
Registered Auditors
Bristol
12 January 1994

Consolidated Profit and Loss Account

for the year ended 2 October 1993

	Note	1993 £'000	1992 £'000
Turnover	2	265,685	232,153
Cost of sales		(222,745)	(194,783)
Gross profit		42,940	37,370
Distribution costs		(8,164)	(8,012)
Administrative expenses		(21,219)	(18,076)
Other operating income		1,027	1,146
Share of profits of associated companies	3	373	449
Operating profit	2	14,957	12,877
Amounts written off investments		-	(1,300)
Profit on sale of interest in subsidiary undertaking		-	1,508
Profit on ordinary activities before interest		14,957	13,085
Interest payable less receivable	4	(3,943)	(3,725)
Profit on ordinary activities before taxation	5	11,014	9,360
Taxation on profit on ordinary activities	6	(3,563)	(2,563)
Profit on ordinary activities after taxation		7,451	6,797
Minority interests		(539)	(630)
Profit for the year		6,912	6,167
Dividends	7	(4,134)	(3,498)
Profit for the year retained	28	2,778	2,669
Earnings per share	8	30.0p	28.5p

All of the group's turnover and profit was generated from continuing activities.

The 1992 earnings per share has been restated to reflect the rights issue.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 2 October 1993

	1993 £'000	1992 £'000
Profit for the year	6,912	6,167
Exchange differences on overseas investments	1,364	930
Exchange differences on related borrowings	(718)	(259)
Total recognised gains and losses for the year	7,558	6,838

AVON

Consolidated Balance Sheet

at 2 October 1993

	Note	1993 £000	1993 £000	1992 £000	1992 £000
Fixed assets					
Tangible assets	12		69,010		61,157
Investments	14 & 16		4,580		3,187
			73,590		64,344
Current assets					
Stocks	18	36,880		34,688	
Debtors	19	54,365		50,894	
Cash at bank and in hand		23,656		3,844	
		114,901		89,426	
Creditors					
Amounts falling due within one year	21	61,934		63,470	
Net current assets			52,967		25,956
Total assets less current liabilities			126,557		90,300
Creditors					
Amounts falling due after more than one year	21	30,785		19,971	
Provisions for liabilities and charges	23	4,502		5,794	
			35,287		25,765
Net assets			91,270		64,535
Capital and reserves					
Share capital	27		27,031		21,552
Share premium account	28		30,738		13,266
Revaluation reserve	28		348		355
Profit and loss account	28		21,656		18,016
			79,773		53,189
Minority interests			11,497		11,346
Shareholders' funds			91,270		64,535

These financial statements were approved by the board of directors on 12 January 1994 and were signed on its behalf by:

Farnham

A K Mitchard

Parent Company Balance Sheet

at 2 October 1993

	Note	1993 £000	1993 £000	1992 £000	1992 £000
Fixed assets					
Tangible assets	13		9,024		7,214
Investments	15 & 16		83,485		76,785
			92,509		83,999
Current assets					
Debtors	20	2,398		3,920	
Cash at bank and in hand		16,885		151	
		19,283		4,071	
Creditors					
Amounts falling due within one year	22	4,887		5,988	
Net current assets			14,396		(1,917)
Total assets less current liabilities			106,905		82,082
Creditors					
Amounts falling due after more than one year	22	10,080		6,222	
Provisions for liabilities and charges	24	147		186	
			10,227		6,408
Net assets			96,678		75,674
Capital and reserves					
Share capital	27		27,031		21,552
Share premium account	29		30,738		13,266
Merger reserve	29		16,439		16,439
Revaluation reserve	29		262		266
Profit and loss account	29		22,208		24,151
Shareholders' funds			96,678		75,674

These financial statements were approved by the board of directors on 12 January 1994 and were signed on its behalf by:

Farnham

A K Mitchard

Consolidated Cash Flow Statement

for the year ended 2 October 19[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net cash flow from operating activities	[illegible]		22,317		[illegible]
Return on investments and servicing of finance					
Interest received		142		480	
Interest paid		(4,376)		[illegible]	
Associated company dividends		226		168	
Dividends paid by parent company		(3,294)		(3,447)	
Dividends paid to minority shareholders		(31)		(1,007)	
Net cash outflow on investments and finance			(7,285)		(8,246)
Taxation					
Corporation tax paid			(2,745)		(2,606)
Investing activities					
Purchase of tangible fixed assets		(15,903)		(14,340)	
Sale of tangible fixed assets		286		396	
Purchase of fixed asset investments		(114)		-	
Net cash outflow on investing activities			(15,731)		(13,944)
Net cash outflow before financing			(3,444)		(9,145)
Financing					
Issue of ordinary shares		23,723		108	
Expenses in connection with share issue		(772)		-	
Issue of ordinary shares *in subsidiary companies*		-		5,197	
New loans		6,968		1,390	
Repayment of loans		(2,097)		(1,412)	
New finance leases		2,312		289	
Principal payments under finance leases		(2,570)		(4,291)	
Net cash inflow from financing			27,564		1,281
Increase in cash and cash equivalents	33		24,120		(7,864)

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.

Changes in accounting policies

Following the introduction of Financial Reporting Standard number 3 "Reporting Financial Performance" by the Accounting Standards Board, changes have been made to the presentation of the financial statements to conform with its requirements. A statement of total recognised gains and losses has been presented, together with a reconciliation of movements in shareholders' funds.

Accounting period

The company's accounting period ends on the Saturday nearest to 30 September each year. The period ended 2 October 1993 consisted of 52 weeks (1992 53 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 and other post retirement benefits

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 payroll 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.

Other post retirement benefits are charged to the profit and loss account in the year in which they are paid.

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.

Notes to the Financial Statements

for the year ended 2 October 1993

1. Parent Company

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

2. Segmental Information

	External Sales 1993 £'000	1992 £'000
a) By destination:		
United Kingdom	99,018	93,649
Other EU	56,306	52,432
Other European	12,884	11,353
North America	82,186	66,745
Others	15,291	7,984
	265,685	232,153

b) By origin:

1993	External Sales £'000	Inter Segment Sales £'000	Operating Profit £'000	Net Assets £'000
United Kingdom	150,327	17,845	6,805	66,085
France	22,943	316	688	8,438
Other European	15,045	–	632	3,515
North America	77,370	471	6,810	30,405
Others	–	–	22	(2)
	265,685	18,632	14,957	108,441

1992	External Sales £'000	Inter Segment Sales £'000	Operating Profit £'000	Net Assets £'000
United Kingdom	131,910	15,877	4,972	63,992
France	24,486	69	1,611	11,484
Other European	14,217	–	593	2,406
North America	61,540	–	5,584	20,737
Others	–	–	117	–
	232,153	15,946	12,877	98,619

c) By product group:

	1993 External Sales £000	Inter Segment Sales £000	Operating Profit £000	Net Assets £000
Tyres and processed materials	82,716	6,480	6,416	38,051
Industrial polymers – Automotive	99,754	6	3,893	45,092
– Technical products	70,346	35	5,051	18,605
Inflatables	12,869	86	(403)	6,693
	265,685	6,607	14,957	108,441

	1992 External Sales £000	Inter Segment Sales £000	Operating Profit £000	Net Assets £000
Tyres and processed materials	78,438	11,149	4,774	33,130
Industrial polymers – Automotive	79,138	115	3,436	26,138
– Technical products	60,034	168	4,642	22,753
Inflatables	14,543	8	25	6,598
	232,153	11,440	12,877	98,619

d) Employees

The number of employees including those overseas during the year was:

	1993 Numbers Year End	1993 Numbers Average	1992 Numbers Year End	1992 Numbers Average
Tyres and processed materials	1,373	1,360	1,364	1,419
Industrial polymers – Automotive	2,082	2,064	2,037	2,170
– Technical products	1,397	1,360	1,229	1,184
Inflatables	316	337	379	378
Head Office	110	117	115	104
	5,278	5,238	5,124	5,255

e) Reconciliation of net asset analysis

	1993 £000	1992 £000
Consolidated balance sheet	91,270	64,535
Borrowings	35,839	34,676
Interest bearing bills payable	1,170	2,338
Interest bearing amounts receivable	(541)	(1,727)
Interest bearing bank deposits	(19,297)	(1,203)
Non interest bearing net assets	108,441	98,619

3. Associated companies

	1993		1992	
	£000	£000	£000	£000
Group share of profit		373		349
Less: taxation	193		183	
received in dividend	226	419	68	251
Retained/(distributed) by associated companies		(46)		98

NAME OF COMPANY	SHARE CAPITAL	HELD BY THE GROUP	ACCOUNTING DATE	BASIS OF CONSOLIDATION
Ames-Avon Industries USA	2,000 shares of no par value	49%	31 December	Audited accounts for 1992. Unaudited accounts to September 1993
Avon Rubber Company (Kenya) Limited, Kenya	586,300 shares of 20 shillings each	36%	30 September	Audited accounts for 1993
Avon Marketing Services (Kenya) Limited, Kenya	260,000 shares of 20 shillings each	33%	30 September	Audited accounts for 1993

4. Interest payable less receivable

	1993 £000	1992 £000
On bank loans, overdrafts and other loans repayable:		
within 5 years, not by instalments	2,138	1,258
within 5 years, by instalments	131	756
after 5 years, by instalments	65	52
	2,334	2,066
Other interest payable and similar charges	1,754	2,077
	4,088	4,143
Interest receivable	145	418
	3,943	3,725

Other interest payable and similar charges includes £690,000 (1992 £791,000) in respect of finance leases.

5. Profit on ordinary activities before taxation

	1993 £'000	1992 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	84	88
Gain on foreign exchange	194	(61)
and after charging:		
Depreciation for the year on tangible fixed assets	9,833	8,768
Auditors' remuneration	258	259
Research and development	6,173	5,640
Operating leases:		
plant and machinery	2,886	2,477
other assets	968	1,177

Fees for non audit services supplied during the year by the parent company's auditors to the UK members of the group amounted to £332,000 (1992 £244,000).

6. Taxation

	1993 £'000	1992 £'000
The taxation charge, based on the results for the year, comprises:		
Current taxation:		
United Kingdom corporation tax at 33% (1992 33%)	1,012	(801)
Overseas taxes	1,932	1,618
Associated companies	193	183
	3,137	1,000
Deferred taxation	426	1,563
	3,563	2,563

The taxation charge for the year is reduced by an excess of capital allowances over depreciation of £2,918,000 (1992 £2,120,000).

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% (1992 33%) is shown below:

	1993		1992	
	PROVIDED £'000	FULL POTENTIAL £'000	PROVIDED £'000	FULL POTENTIAL £'000
Capital allowances	–	(4,909)	–	(3,966)
Pension deferral	823	1,460	1,124	1,761
Exceptional item unspent	26	26	151	151
Other timing differences	–	(362)	–	(752)
Asset/(potential liability)	849	(3,785)	1,275	(2,806)

Notes to the Financial Statements

for the year ended 2 October 1993

7. Dividends

	1993 £'000	1992 £'000
Paid:		
4.9% cumulative preference shares	25	25
Ordinary shares 5% interim (1992 5%)	1,058	1,035
Proposed:		
Ordinary shares 11.5% final (1992 11.5%)	3,051	2,438
	4,134	3,498

8. Earnings per share

Earnings per share amounts to 30p (1992 28.5p) and is based on a profit of £6,887,000 (1992 £6,142,000) and 22,932,000 ordinary shares (1992 21,535,000) being the weighted average of the shares in issue during the year. The 1992 figures have been restated to reflect the rights issue.

9. Pensions and other post retirement benefits

Pensions

The group operates a contributory defined benefits 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 regular actuarial valuations. The most recent actuarial valuation of the plan was carried out as at 31 March 1992 when the market value of the plan's assets was £121,356,000. The actuarial value of those assets represented 100% of the value of the benefits which had accrued to members, after allowing for future increases in salaries.

Pension cost for the year ended 2 October 1993 is based on the actuarial valuation as at 31 March 1992. The principal actuarial assumptions used are that the annual rate of return on investments would be 2% (1992 between 1.5% and 2%) higher than the annual increase in pensionable remuneration and 4.5% (1992 4.5%) higher than the annual increase in present and future pensions in payment. The pension cost to the group in the year ended 2 October 1993 in respect of UK employees was £4,231,000 (1992 £4,245,000). A provision of £4,424,000 (1992 £5,337,000) 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 to the group in the year ended 2 October 1993 in respect of overseas employees was £1,541,000 (1992 £1,503,000).

Other post retirement benefits

Cadillac Rubber and Plastics Inc operates a medical cover scheme under the terms of which retiring employees who have ten years service, and their dependants, are entitled to medical cover from the date of their retirement for a period of three years, or until they reach the age of 65, whichever is the earlier.

Under UK accounting standards, the liability for the future cost of post retirement benefits will be recognised in the group financial statements in the year ending 30 September 1995; an actuarial assessment of this liability is currently being undertaken. Approximately 400 employees are eligible for cover under the scheme. On the basis of preliminary estimates, the liability for future costs is £1.9m, with an ongoing cost of £230,000. The actual expense charged to the group accounts in the year is £30,000. Payments made by Cadillac under the scheme attract taxation relief at prevailing US rates of taxation.

10. Employees

	1993 £'000	1992 £'000
Staff costs during the year were:		
Wages and salaries	79,859	72,439
Social security costs	7,863	7,041
Other pension costs	5,772	5,748
	93,494	85,228

11. Directors

	1993 £'000	1992 £'000
Directors' remuneration:		
Fees	81	63
Other emoluments		
(including £19,000 profit related bonus, 1992 £21,000)	535	545
Compensation for loss of office	168	-
	784	608

In 1993, Mr B Stacey and Mr D J Hudson retired early, after 38 and 25 years service respectively, and ceased to be directors. The payments of £168,000 shown above refer to the aggregate payments made in connection with their loss of office upon retirement.

Executive directors' profit related bonuses are based on variable elements linked to profitability and capital employed and are approved by the Remuneration Committee. Pension costs relating to executive directors amounted to £28,000 (1992 £24,000).

	£'000	£'000
The directors' remuneration disclosed above includes amounts paid to:		
The chairman	25	22
The highest paid director		
(including £7,000 profit related bonus, 1992 £7,000)	141	130

	NUMBERS	NUMBERS
Directors' emoluments:		
£5,001-£10,000	-	1
£10,001-£15,000	4	3
£20,001-£25,000	1	1
£55,001-£60,000	1	-
£85,001-£90,000	1	1
£90,001-£95,000	-	2
£100,001-£105,000	1	-
£130,001-£135,000	-	1
£140,001-£145,000	1	-

Notes to the Financial Statements

for the year ended 2 October 1993

11. Directors *(continued)*

Share Options

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

	At the beginning of the year		At the end of the year		Exercisable
	Number	Option price £	Number	Option price £	at any time up to
Executive Share Option Schemes					
J S Harper	40,000	4.27	40,998	4.17	December 1999
D J Hudson	13,381	5.86	13,714	5.72	January 1995
	6,065	4.27	–	–	–
	20,000	4.47	–	–	–
A K Mitchard	65,391	2.75	67,023	2.68	June 1995
	12,396	3.56	12,705	3.47	June 1995
	9,890	6.77	10,136	6.61	June 1995
	13,000	4.27	13,324	4.17	June 1995
B Stacey	41,589	2.75	–	–	–
	16,000	4.27	–	–	–
S J Willcox	15,495	6.46	15,881	6.30	August 1997
	15,000	4.27	15,374	4.17	December 1999
Others	38,403	2.75	–	–	–
	13,000	4.27	13,324	4.17	December 1995
	15,495	6.46	15,881	6.30	December 1995
Savings Related Share Option Scheme 1981:					**Exercisable during**
S J Willcox	1,760	2.48	–	–	–
	920	4.73	942	4.61	1994
	4,615	1.95	4,730	1.90	1998
Others	217,830	1.95-6.05	212,507	1.90-5.90	1993-1998
Sharesave Option Scheme 1992:					
J S Harper	2,155	2.61	2,208	2.55	1997
	–	–	1,430	3.71	1998
S J Willcox	5,172	2.61	5,301	2.55	1999
Others	505,745	2.61	510,863	2.55	1997-1999
	–	–	142,809	3.71	1998-2000

12. Tangible fixed assets – group

	FREEHOLDS £000	LONG LEASEHOLDS £000	SHORT LEASEHOLDS £000	PLANT AND MACHINERY £000	TOTAL £000
Cost or valuation:					
At 3 October 1992	17,044	615	268	108,517	126,444
Exchange differences	609	-	9	1,868	2,486
Reclassifications	329	-	50	(379)	-
Additions at cost	1,850	-	13	14,596	16,459
Disposals	(152)	-	(10)	(2,933)	(3,095)
At 2 October 1993	**19,680**	**615**	**330**	**121,669**	**142,294**
Depreciation:					
At 3 October 1992	3,677	148	235	61,227	65,287
Exchange differences	211	-	6	654	871
For the year	471	12	8	9,342	9,833
On disposals	(7)	-	(2)	(2,698)	(2,707)
At 2 October 1993	**4,352**	**160**	**247**	**68,525**	**73,284**
Net book value at 2 October 1993	**15,328**	**455**	**83**	**53,144**	**69,010**
Net book value at 3 October 1992	13,367	467	33	47,290	61,157
Fixed assets comprise:					
Cost	15,736	-	194	121,669	137,599
Valuation 1980	3,944	615	136	-	4,695
	19,680	615	330	121,669	142,294

The basis of the 1980 valuation was open market and existing use.

	1993 £000	1992 £000
Net tangible assets comprise:		
Owned assets	58,841	50,654
Leased assets	10,169	10,503
	69,010	61,157
Depreciation for the year comprises:		
Owned assets	7,287	6,070
Leased assets	2,546	2,698
	9,833	8,768

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	20,986	327	120
Depreciation	6,251	132	55
Net book value at 2 October 1993	**14,735**	**195**	**65**
Net book value at 3 October 1992	12,809	201	13

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

	Freeholds £000	Long leaseholds £000	Plant and machinery £000	Total £000
Cost or valuation:				
At 3 October 1992	7,743	615	96	8,454
Reclassifications	329		(329)	–
Additions at cost	1,633		5	1,638
Transfers from group companies	–	–	329	329
At 2 October 1993	**9,705**	**615**	**101**	**10,421**
Depreciation:				
At 3 October 1992	1,051	148	41	1,240
For the year	132	12	13	157
At 2 October 1993	**1,183**	**160**	**54**	**1,397**
Net book value at 2 October 1993	**8,522**	**455**	**47**	**9,024**
Net book value at 3 October 1992	6,692	467	55	7,214
Fixed assets comprise:				
Cost	5,781	–	101	5,882
Valuation 1980	3,924	615	–	4,539
	9,705	615	101	10,421

The basis of the 1980 valuation was open market and existing use.

	1993 £000	1992 £000
Net tangible assets comprise:		
Owned assets	8,569	6,747
Leased assets	455	467
	9,024	7,214
Depreciation for the year comprises:		
Owned assets	145	206
Leased assets	12	269
	157	475

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	11,012	327
Depreciation	3,086	132
Net book value at 2 October 1993	**7,926**	**195**
Net book value at 3 October 1992	6,133	201

14. Fixed asset investments – group

	Associated companies £000	Other investments other than loans £000	Total £000
Unlisted shares at cost, less amounts written off:			
At 3 October 1992	252	2,200	2,452
Exchange differences	23	–	23
Additions	–	114	114
Capitalisation of loan	–	1,200	1,200
At 2 October 1993	275	3,514	3,789
Group share of undistributed profits in associated companies:			
At 3 October 1992	735		
Exchange differences	102		
For the year	(46)		
At 2 October 1993	791	–	791
Net book value at 2 October 1993	1,066	3,514	4,580
Net book value at 3 October 1992	987	2,200	3,187

A list of undertakings in which the company has a participating interest appears on page 44.

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

	Group undertakings £000	Other investments other than loans £000	Total £000
Unlisted shares at cost, less amounts written off:			
At 3 October 1992	74,585	2,200	76,785
Additions	5,500	–	5,500
Capitalisation of loan	–	1,200	1,200
Net book value at 2 October 1993	80,085	3,400	83,485

A list of group undertakings and undertakings in which the company has a participating interest appears on page 44.

Notes to the Financial Statements

for the year ended 2 October 1993

16. Other investments other than loans

Investments at 2 October 1993 include £2,400,000 (1992 [illegible]) which represents the cost of the holding of 36% of the ordinary share capital of Motorway Tyres and Accessories Limited ('Motorway'), 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 and reserves of the company as at 31 December 1992 is £6,693,000 (1991 £7,299,000) and the loss for the year then ended was £4,606,000 (1991 [illegible]).

17. Other financial commitments

	1993		1992	
	GROUP £'000	PARENT £'000	GROUP £'000	PARENT £'000
Capital expenditure committed	2,077	4	3,665	
Future capital expenditure	2,963	–	5,567	

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:

	1993		1992	
	LAND AND BUILDINGS £'000	OTHER ASSETS £'000	LAND AND BUILDINGS £'000	OTHER ASSETS £'000
For leases expiring:				
Within 1 year	31	243	19	272
In 2-5 years	502	811	285	1,097
Over 5 years	1,031	34	946	31
	1,564	1,088	1,250	1,400

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

18. Stocks

	1993 £'000	1992 £'000
Raw materials	7,286	7,016
Work in progress	8,508	8,044
Finished goods	21,086	19,628
	36,880	34,688

19. Debtors – group

	1993 £000	1993 £000	1992 £000	1992 £000
Amounts falling due within one year:				
Trade debtors	41,207		37,980	
Associated companies	21		45	
Undertaking in which the group				
has a participating interest	2,156		2,272	
Deferred tax	326		454	
Other debtors	6,501		3,255	
Prepayments	1,843	52,654	1,939	45,623
Amounts falling due after more than one year:				
Loan to undertaking in which the group				
has a participating interest	527		1,727	
Deferred tax	523		1,124	
Other debtors	1,261	2,311	2,420	5,271
		54,365		50,894

20. Debtors – Avon Rubber p.l.c.

	1993 £000	1993 £000	1992 £000	1992 £000
Amounts falling due within one year:				
Trade debtors	22		53	
Group undertakings	1,452		929	
Undertaking in which the company				
has a participating interest	4		4	
Deferred tax	13		–	
Other debtors	369		361	
Prepayments	2	1,862	5	1,352
Amounts falling due after more than one year:				
Loan to undertaking in which the company				
has a participating interest	527		1,727	
Deferred tax	9		35	
Other debtors	–	536	806	2,568
		2,398		3,920

Notes to the Financial Statements

for the year ended 2 October 1993

21. Creditors – group

	1993 £000	1993 £000	1992 £000	1992 £000
Amounts falling due within one year:				
Current instalments due on loans		2,599		2,338
Bank loans and overdrafts		2,814		12,140
Finance leases		2,067		2,649
Total borrowings falling due within 1 year		7,480		17,127
Trade creditors		27,982		21,674
Payments received on account		3,964		–
Bills of exchange		2,840		5,851
Corporation tax		2,930		1,243
Other taxation and social security		4,814		3,833
Other creditors		1,192		4,830
Accruals		9,419		9,459
Dividend payable to minorities		762		–
Proposed dividend on ordinary shares		3,054		3,458
		61,934		68,470
Amounts falling due after more than one year:				
Bank loans (secured £1,649,000, 1992 £2,052,000)	27,798		17,056	
Current instalments due	(2,599)	25,199	(2,338)	14,718
Finance leases up to 5 years		2,942		2,831
Finance leases over 5 years		218		–
Total borrowings falling due after more than one year		28,359		17,549
Corporation tax		21		24
Other creditors		2,405		2,398
		30,785		19,971

Borrowings – group

	1993 Bank overdrafts and loans £000	1993 Other borrowings £000	1992 Bank overdrafts and loans £000	1992 Other borrowings £000
In 1 year or less, or on demand	5,413	2,067	14,478	2,649
Between 1 and 2 years	364	1,473	6,638	1,604
Between 2 and 5 years	24,561	1,469	7,706	1,227
Over 5 years	274	218	374	–
	30,612	5,227	29,196	5,480
Total borrowings	35,839		34,676	

Bank loans falling due in over 5 years are repayable by instalments at rates of interest varying between 5.50% and 9.84% per annum

22. Creditors – Avon Rubber p.l.c.

	1993 £000	1993 £000	1992 £000	1992 £000
Amounts falling due within one year:				
Current instalments due on loans		–		855
Bank *overdrafts*		467		45
Trade creditors		55		21
Group undertakings		–		850
Corporation tax		159		173
Other *taxation and social security*		1		1
Other creditors		18		40
Accruals		1,136		1,582
Proposed dividend on ordinary shares		3,051		2,421
		4,887		5,988
Amounts falling due after more than one year:				
Bank loans	10,080		7,077	
Current Instalments due	–	10,080	(855)	6,222
		10,080		6,222

23. Provisions for liabilities and charges – group

	PENSION DEFERRAL £000	REORGANISATION COSTS £000	TOTAL £000
Balance at 3 October 1992	5,337	457	5,794
Charged to profit and loss account	3,597	(64)	3,533
Payments in the year	(4,510)	(315)	(4,825)
Balance at 2 October 1993	4,424	78	4,502

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

	PENSION DEFERRAL £000
Balance at 3 October 1992	186
Charged to profit and loss account	9
Payments in the year	(48)
Balance at 2 October 1993	147

25. Contingent liabilities

	1993 GROUP £000	1993 PARENT £000	1992 GROUP £000	1992 PARENT £000
Guarantees of overdraft facilities and loans of group undertakings	–	21,346	–	19,985
Bills under discount	9	–	90	–
Bills payable endorsed	–	1,083	–	896
Other guarantees	1,562	113	1,154	156
	1,571	22,542	1,244	21,037

Notes to the Financial Statements

for the year ended 2 October 1993

26. Reconciliation of movements in shareholders funds

	1993 £000	1992 £000
Balance at 3 October 1992	64,535	57,676
Profit for the year	6,912	6,167
Dividends, excluding scrip £160,000 (1992 £43,000)	(3,974)	(3,455)
Other recognised gains and losses	646	671
New share capital subscribed, less expenses	23,000	126
Minority interests	151	3,350
Balance at 2 October 1993	91,270	64,535

27. Share capital

	1993 £000	1992 £000
Authorised:		
37,900,000 (1992 27,000,000) ordinary shares of £1 each	37,900	27,000
500,000 4.9% cumulative preference shares of £1 each	500	500
	38,400	27,500
Called up, allotted and fully paid:		
26,530,687 (1992 21,051,810) ordinary shares of £1 each	26,531	21,052
500,000 4.9% cumulative preference shares of £1 each	500	500
	27,031	21,552

	1993 Number	1992 Number
During the year the following shares were issued pursuant to:		
Rights Issue	5,290,917	–
Executive Share Option Scheme	123,494	35,376
Savings Related Share Option Scheme	15,701	4,370
Scrip dividend facility	48,765	17,837
	5,478,877	57,583

28. Share premium account and reserves – group

		Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 3 October 1992		13,266	355	18,016
Rights Issue	17,989			
Less: Expenses	(772)	17,217	–	–
Premiums on share options		304	–	–
Transfer from revaluation reserve to profit and loss account		–	(7)	7
Scrip dividend		(49)	–	209
Exchange differences:				
on overseas investments		–	–	1,364
on related borrowings		–	–	(718)
Profit for the year retained		–	–	2,778
At 2 October 1993		**30,738**	**348**	**21,656**
Avon Rubber p.l.c. and subsidiaries		30,738	348	20,790
Associated companies		–	–	866
		30,738	**348**	**21,656**

On 2 October 1993 the cumulative goodwill written off amounted to £41,078,000 (1992 £41,078,000).

29. 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 3 October 1992		13,266	16,439	266	24,151
Rights Issue	17,989				
Less: Expenses	(772)	17,217	–	–	–
Premium on share options		304	–	–	–
Transfer from revaluation reserve to profit and loss account		–	–	(4)	4
Scrip dividend		(49)	–	–	209
Exchange differences		–	–	–	(718)
Profit for the year retained		–	–	–	(1,438)
At 2 October 1993		**30,738**	**16,439**	**262**	**22,208**

Notes to the Financial Statements

for the year ended 2 October 1993

30. Net cash flow from operating activities

	1993 £'000	1992 £'000
Operating profit	14,957	12,877
Depreciation of tangible fixed assets	9,833	8,768
Loss on sale of tangible fixed assets	102	(68)
Increase in stocks	(2,192)	(4,042)
Increase in trade debtors	(3,773)	(1,556)
Decrease in associated company debtors	24	(45)
Decrease in related company debtors	117	048
Increase in other debtors	(1,503)	(1,290)
Decrease in prepayments and accrued income	69	(678)
Increase in trade creditors	8,471	1,435
Decrease in bills payable	(3,010)	709
Increase in other tax and social security payable	981	(1,485)
Decrease in other creditors	(631)	1,230
Increase in accruals	398	2,284
Decrease in pension deferral	(913)	224
Associated company profits transferred	(373)	(449)
Reorganisation costs paid	(379)	(5,118)
Effect of foreign exchange rate changes	139	(13)
Net cash flow from operating activities	**22,317**	**15,651**

31. Analysis of changes in finance during the year

	Share capital and share premium £'000	Loans and finance leases £'000
Balance as at 3 October 1992	34,818	27,225
Shares issued for cash	23,723	–
Expenses in connection with share issue	(772)	–
New loans	–	6,968
Loans repaid	–	(2,097)
New finance leases	–	2,312
Finance leases repaid	–	(2,570)
Effect of foreign exchange rate changes	–	1,187
Balance as at 2 October 1993	**57,769**	**33,025**

32. Analysis of cash and cash equivalents as shown in the consolidated balance sheet

	1993 £'000	1992 £'000	CHANGE IN YEAR £'000
Cash in hand and at bank	23,656	3,844	19,812
Overdrafts	(2,814)	(7,451)	4,637
	20,842	(3,607)	24,449

33. Analysis of changes in cash and cash equivalents during the year

	£'000
Balance as at 3 October 1992	(3,607)
Net cash inflow before exchange adjustments	24,120
Exchange adjustments	
Use of average rate	65
Opening cash balances	264
Balance as at 2 October 1993	20,842

34. Post balance sheet events

1) On 20 October 1993 the group acquired a 65% shareholding in Avon-Rubena a.s. for a cash consideration of £2.25 million. The net tangible assets of the company on acquisition were approximately £1.4 million. Avon-Rubena a.s. is located in the Czech Republic.

2) On 30 December 1993 the company purchased the 20% minority interest in Avon Tyres Limited previously held by SP Tyres UK Limited. At the same time SP Tyres UK Limited purchased the remaining 30% of Motorway Tyres and Accessories Limited previously held by the company.

The net cost to the Group of these two transactions was £4.5 million. The net book value at 2 October 1993 of the minority interest less the investment in Motorway amounted to £2.5 million. There will be no profit or loss to the Group arising from this transaction.

Group Undertakings and Participating Interests

at 2 October 1993

Held by parent company

	Group interest	Country of incorporation
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:		
Motorway Tyres & Accessories Limited	30%	

Held by group undertakings

	Group interest	Country of incorporation
Avon-Ames Limited	51%	
Avon Caoutchouc SA		France
Avon-Clevite Limited	51%	
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 group has a participating interest:		
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-S&H Limited, Avon Rubber Pension Trust Limited, CQC PLC and Nova Insurance Limited which are manufacturers of components for automotive air-conditioning systems, 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.

Shareholders and Financial Calendar

Shareholders

On 31 December 1993 the company had the following number of shareholders:

£1 ordinary shares	1,695
4.9% cumulative preference shares of £1 each	55

Of the ordinary shareholders, 1,066 (62.9%) had holdings of 3,000 shares or less.

Financial calendar

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

Preference dividend paid on 30 June and 31 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.

Five Year Record

	1993 £000	1992 £000	1991 £000	1990 £000	1989 £000
Turnover	265,685	232,153	227,184	224,820	228,590
Profit on trading	24,417	21,196	18,608	22,904	22,630
Share of profits of associated companies	373	449	386	378	279
	24,790	21,645	18,994	23,282	22,909
Depreciation	9,833	8,768	7,892	7,480	6,314
Operating profit	14,957	12,877	11,102	15,802	16,595
Amounts written off investments	–	(1,300)	–	–	–
Profit on sale of interest in subsidiary undertaking	–	1,508	–	–	13,370
Reorganisation costs	–	–	(5,758)	–	–
Profit before interest	14,957	13,085	5,344	15,802	29,965
Interest	3,943	3,725	4,379	5,188	4,131
Profit before taxation	11,014	9,360	965	10,614	25,834
Taxation	3,563	2,563	137	2,990	3,703
Profit after taxation	7,451	6,797	828	7,624	22,131
Minority interests	539	630	600	1,150	1,026
Profit attributable to Avon shareholders	6,912	6,167	228	6,474	21,105
Preference dividends	25	25	25	25	25
Ordinary dividends	4,109	3,473	3,463	3,460	3,232
Retained profit	2,778	2,669	(3,260)	2,989	17,848
Fixed assets and investments	73,590	64,344	57,547	54,623	51,453
Working capital	34,365	36,817	37,809	41,009	40,924
Provisions	(4,502)	(5,794)	(10,688)	(1,930)	–
Assets employed	103,453	95,367	84,668	93,702	92,377
Financed by:					
Ordinary share capital	26,331	21,052	20,994	20,969	20,852
Reserves attributable to Avon shareholders	52,742	31,637	28,186	31,000	29,547
Preference share capital	500	500	500	500	500
Minority shareholders' interests	11,497	11,346	7,996	7,579	7,356
Shareholders' capital employed	91,270	64,535	57,676	60,048	58,255
Net borrowings	12,183	30,832	26,992	33,654	34,122
Capital employed	103,453	95,367	84,668	93,702	92,377
Earnings per share	30.0p	28.5p*	1.0p*	30.1p*	113.6†
Dividends per share	16.5p	16.5p	16.5p	16.5p	16.5p

** Adjusted for rights issue*

† Adjusted for rights issue and FRS3

![AVON]

Notice of Meeting

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire on Monday 7 February 1994 at 2.30pm for the following purposes:

1) To receive and consider the report of the directors and the financial statements for the year ended 2 October 1993 *(Resolution No 1)*.

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

3) To elect directors:

   Mr D C Samardich, who was appointed to the board on 1 January 1994, retires under Article 91 and, being eligible, offers himself for re-election *(Resolution No 3)*.

   Sir John Milne 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 13(b) of the company's Articles of Association be renewed for the period ending on the date of the annual general meeting in 1995 or on 7 May 1995 whichever is the earlier, and for such period:

   a) the section 80 amount shall be £8,843,562 and

   b) the section 89 amount shall be £1,326,534"

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
12 January 1994

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 documents set out below 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 15 minutes prior to the commencement of the annual general meeting. They will then be available for inspection at the place of the meeting.

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

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

Explanation of Resolution No 6

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 1993 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 £8,843,562 (the *"section 80 amount"*), being an amount equal to 33⅓% of the existing issued ordinary share capital, so that the directors are empowered pursuant to and within that authority 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 £1,326,534 (the *"section 89 amount"*) being 5% 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 the rights issue, 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 in 1992. 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 33⅓% of the existing issued ordinary 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 1995 or 7 May 1995 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.

Your directors consider that it is in the company's interest that Resolution 6 referred to above is passed and they will vote in favour of the Resolution in respect of their beneficial shareholdings representing approximately 0.2 percent of the issued ordinary share capital of the company.

Scrip dividend alternative: variation date

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 4 February 1994 if they wish to vary the level of their participation in the scheme in time for payment of the final dividend. Forms of variation will be sent to participating shareholders on 13 January 1994.