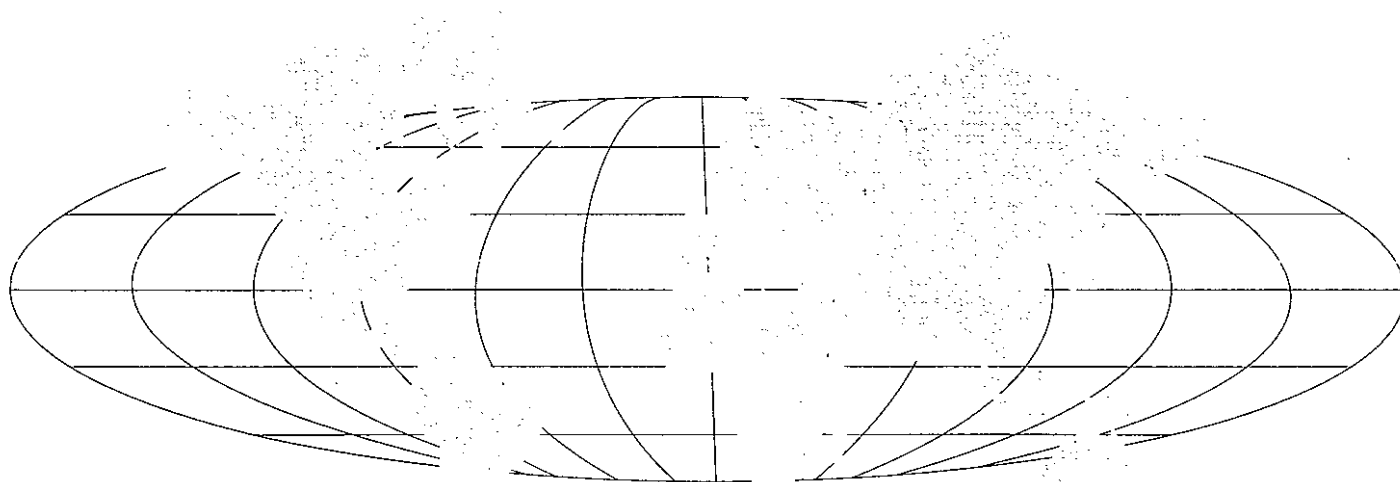




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Avon Rubber p.l.c.  
Annual Report and Accounts

1996

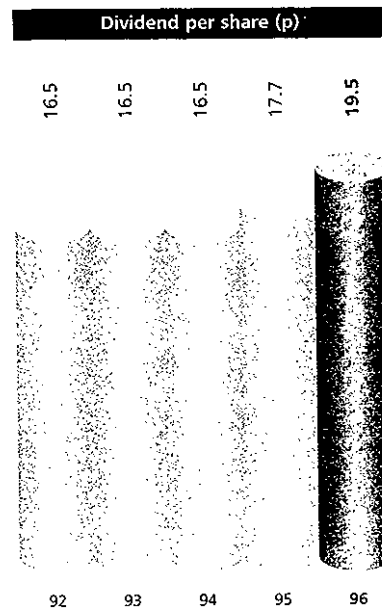
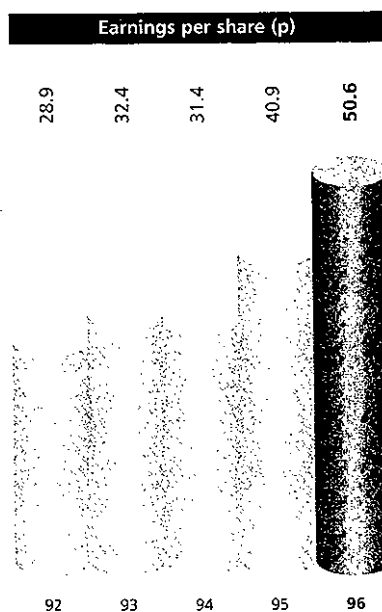
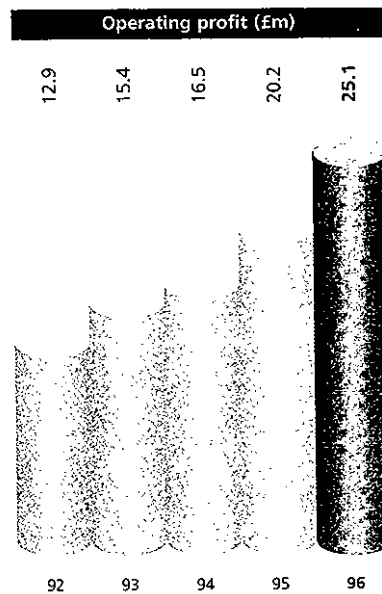
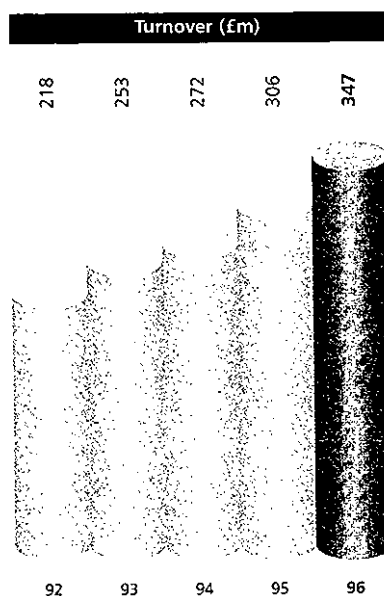


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# Financial Highlights

	1996	1995
	£'000	£'000
Turnover	347,471	306,467
Operating profit	25,104	20,226
Profit before taxation	21,509	16,191
Earnings per share	50.6p	40.9p
Dividend per share	19.5p	17.7p

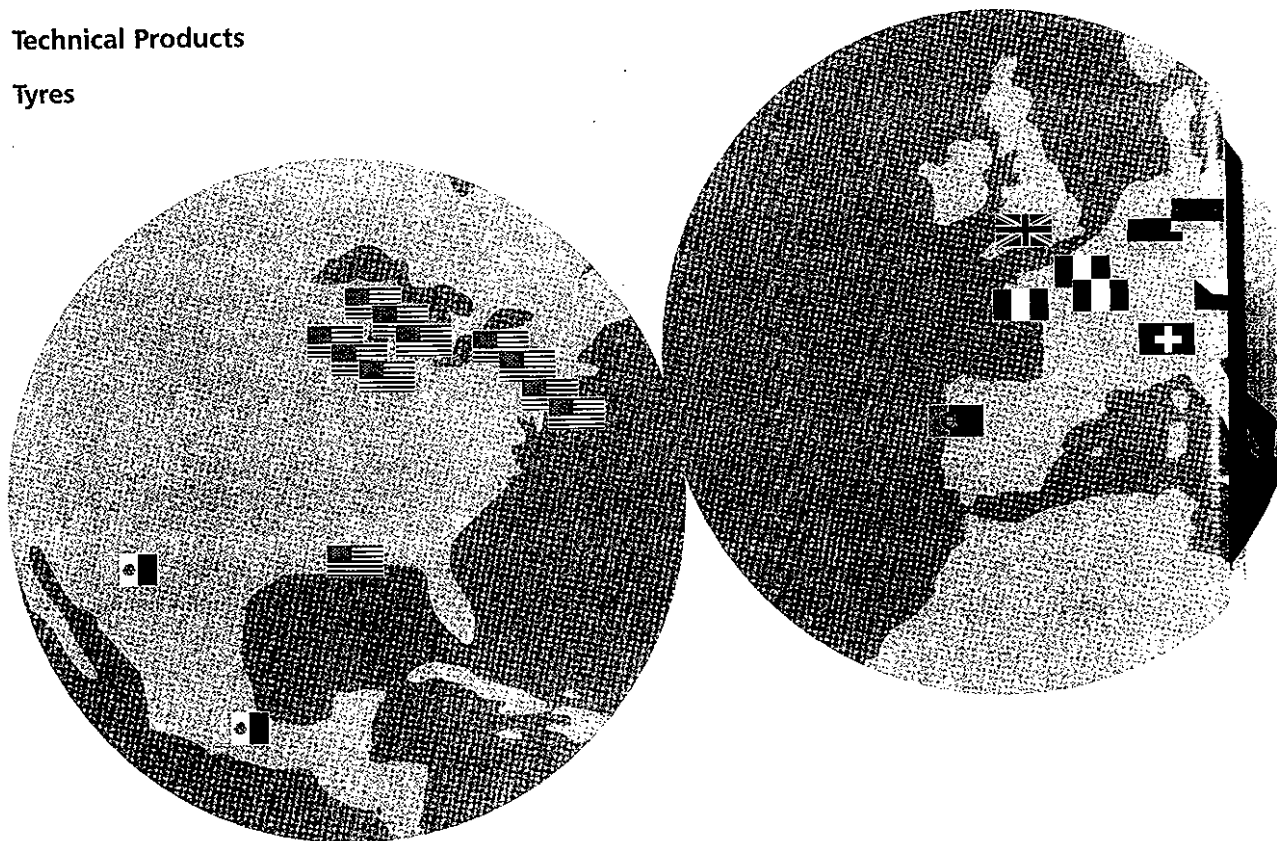


The information above is based on the continuing activities of the group.

# Group Activities

The Avon Rubber group consists of polymer engineering specialist companies operating internationally in three business sectors:-

- Automotive Components
- Technical Products
- Tyres



## Automotive Components



### UNITED KINGDOM

Avon Automotive, Melksham  
Avon Vibration Management Systems, Chippenham  
Avon Hose, Trowbridge  
Avon Automotive Mouldings, Trowbridge



### USA

Avon Rubber & Plastics, Cadillac, Michigan  
Cadillac Rubber & Plastics, Cadillac, Michigan  
Hanton, Michigan  
Avon Injected Rubber Products, Lockport, New York  
Albion, New York  
Ames-Avon, New Jersey (49%)



### MEXICO

Cadimex, Juarez



### FRANCE

Avon Polymères France, Yannes



### CZECH REPUBLIC

Avon-Rubena, Rudnik (65%)



### PORTUGAL

Avon Polimeros, Toadela



### GERMANY

AIP (Deutschland), Hannover



### INDIA

Gold Seal-Avon Polymers, Mumbai (50%)



AVON RUBBER p.l.c.

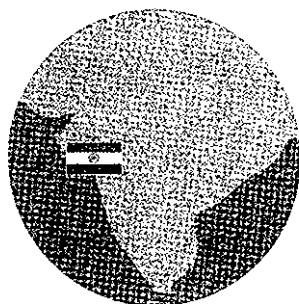
The year has seen further developments in our strategic objective to become a global supplier of our products and services.

In addition to last year's acquisition of Cadillac Rubber and Plastics de Mexico (formerly Altec Industries) at Orizaba, and Pacer in Newark, New Jersey in the U.S.A, we have established a facility in Portugal for the manufacture of automotive hoses and have established a joint venture company with Gold Seal to manufacture a similar range of

products in India.

The European tyre marketing and distribution activities have been strengthened by the creation of a specialist company in France.

Our comprehensive service to the world's automotive industry is complemented by a diverse range of other activities encompassing the engineering, offshore oil and gas, rail and road transport, dairy and agriculture, maritime, sports and leisure and defence sectors.



## Technical Products



### UNITED KINGDOM

Avon Technical Products, Melksham  
CQC., Barnstaple  
Avon-Ames, Melksham (51%)



### USA

Avon Rubber & Plastics, Cadillac, Michigan  
Pacer Tool & Plastics, Plainfield, New Jersey  
Bell-Avon, Picayune  
Avon Technical Products, Cadillac, Michigan  
Manton, Michigan



### MEXICO

Cadillac Rubber & Plastics de Mexico, Orizaba



### FRANCE

Avon Spencer Moulton France, Mallesherbes

## Tyres



### UNITED KINGDOM

Avon Tyres, Melksham  
Avon Racing Division, Melksham  
Avon Technical Services, Melksham  
Avon Processed Materials, Melksham



### FRANCE

Avon Pneumatiques, Compiègne



### GERMANY

Avon Reifen (Deutschland), Dusseldorf



### SWITZERLAND

Avon (Suisse), Dietikon

# Chairman's Statement

I am pleased to report that 1996 has been a year of substantial progress across our business. We have achieved significant growth in sales and profits, whilst continuing to build the foundation for future expansion.

## Results

The group profit before tax for 1996 of £21.5 million compares with £16.2 million in 1995. Profit after taxation at £14.4 million was 31 per cent higher than the £11.0 million achieved in 1995. Earnings per share increased by 23.7 per cent to 50.6p.

## Dividend

Shareholders are recommended to approve a final dividend of 13.75p per share which, when added to the interim dividend of 5.75p per share, will provide a total dividend of 19.5p per share (1995:17.7p), an increase of 10.2 per cent. A scrip dividend alternative will again be offered in respect of the final dividend.

## Directors

John Pinckard, our Deputy Chairman, will retire from the Board at the annual general meeting in January. He joined the Board in November 1980 when Chief Executive of the Serck Group and has played a leading role in our deliberations for more than sixteen years. He leaves Avon with our grateful thanks.

Moger Woolley resigned as a non-executive director at the end of the year having served on the Board since 1992. His wealth of experience contributed greatly to the Board of the Company and we wish him well as he becomes Chairman of the Council and Board of the University of Bristol.

I shall be retiring as a Director and Chairman at the forthcoming annual general meeting after some thirty very interesting years on the Board, eighteen of them as Chairman. I am delighted that Christopher King has agreed to become Chairman on my retirement.

## Strategy

Automotive Components has been identified as the sector which offers us the greatest potential for growth. 1996 saw a substantial increase in sales and operating profit with growth in our North American sales being of particular importance. This improvement is linked to our continuing programme of investment in people, products and facilities and the new business opportunities available in emerging markets.

Technical Products also offers exciting opportunities to exploit our skills in new markets and products, with attractive margins across a diverse portfolio. In North America this encompasses new uses for our expertise in large flexible tanks in meeting environmental requirements for underground storage of hazardous materials and fresh opportunities in the specialised down-hole drilling business in oil and gas exploration. In Europe it involves the introduction of new components for business machines and the development of personal equipment for armed forces.

Avon Tyres continues to increase the proportion of premium products within its range and seeks to sell them in new markets throughout the world. Its substantial skill and technology base also contributes through sales of processed materials and technical aid.

## Organisation

In June a new organisational structure was implemented which brought all Automotive Components activities worldwide under a single executive director. Technical Products underwent a similar reorganisation, enabling that division to call on resources from any part of the group to support product and process development. Further integration to provide an international structure to marketing and manufacturing activities has followed in both divisions, aligning our operations more closely with customer requirements.

## Markets

Strong demand in North America for existing automotive components was supplemented by production contracts for the CADbar fuel barrier hose. These gains were partially offset by the labour disputes at General Motors, which affected our New York operations in particular.

Throughout Avon's automotive activities we continue investment in the development of products and facilities to meet future demands. Sales growth was generated through a combination of strong performances by our customers and a number of new production contracts.

Technical Products has performed well and has benefited from the strength of the industrial markets in Europe and the USA. Aided by process improvements we have gained a larger market share in the highly competitive European business for milk liners. Progress has also been made in the defence, oil and gas and business machine product areas.

Avon Tyres has improved margins and although the strong start to the year in sales of tyres was not sustained during the second half, sales of processed materials exceeded the levels achieved in the previous year.

## Employees

Throughout the group we have achieved continuous improvement in all areas of the company's performance. Such activities are an essential part of the progress towards building a stronger company. During my visits to various parts of the group I have seen at first hand the enthusiasm and commitment which is evident wherever I go and I thank all our employees for their continuing and important contribution.

## Corporate Governance

The company is in compliance with the amendments to the Stock Exchange Listing Rules implementing the recommendations contained in the Greenbury Report. Shareholders will find the Remuneration Committee Report on pages 16 to 18.

## Crest

CREST, the new electronic registration and settlement system for share trading, became operational on 15th July 1996. At its meeting on 9th December 1996 the Board passed the appropriate resolution to make the company's shares compatible with CREST. Formal notice of this resolution and a letter explaining the implications accompany this report.

## Outlook

Demand for our core products in the Automotive sector remains good both in Europe and in North America and we expect this to continue at least through the first half of the new trading year. Sales of tyres in the U.K. and Europe remain at a subdued level but market conditions remain favourable for processed materials. North American markets for our technical products generally remain encouraging but European demand has slowed.

Notwithstanding the uncertainty of recent weeks in the foreign exchange markets, the group has a good base to work from and as the continuing improvement in existing operations is supplemented by contributions from recent investments in new ventures, we look forward to a year of further progress.

Lord Farnham, Chairman

# Chief Executive's Review

**B**efore reviewing the company's activities I would like to pay tribute, on the eve of his retirement, to our Chairman Lord Farnham.

He joined the Board in March 1966 and became Chairman in January 1978. For more than thirty years the Board and the company have benefited from his advice, encouragement and support. Lord Farnham has always recognised the valuable contribution made by our employees and he has met many of them during visits to our operations worldwide. They join us in wishing Lord Farnham a long and happy retirement.

Christopher King, who succeeds Lord Farnham as Chairman, was appointed to the Board in January 1995. He spent 35 years with BP in senior international positions in Europe and the USA and was made a CBE in the 1995 New Year's Honours List.

Turning to our business performance, the year has seen a major restructuring of our automotive and technical products

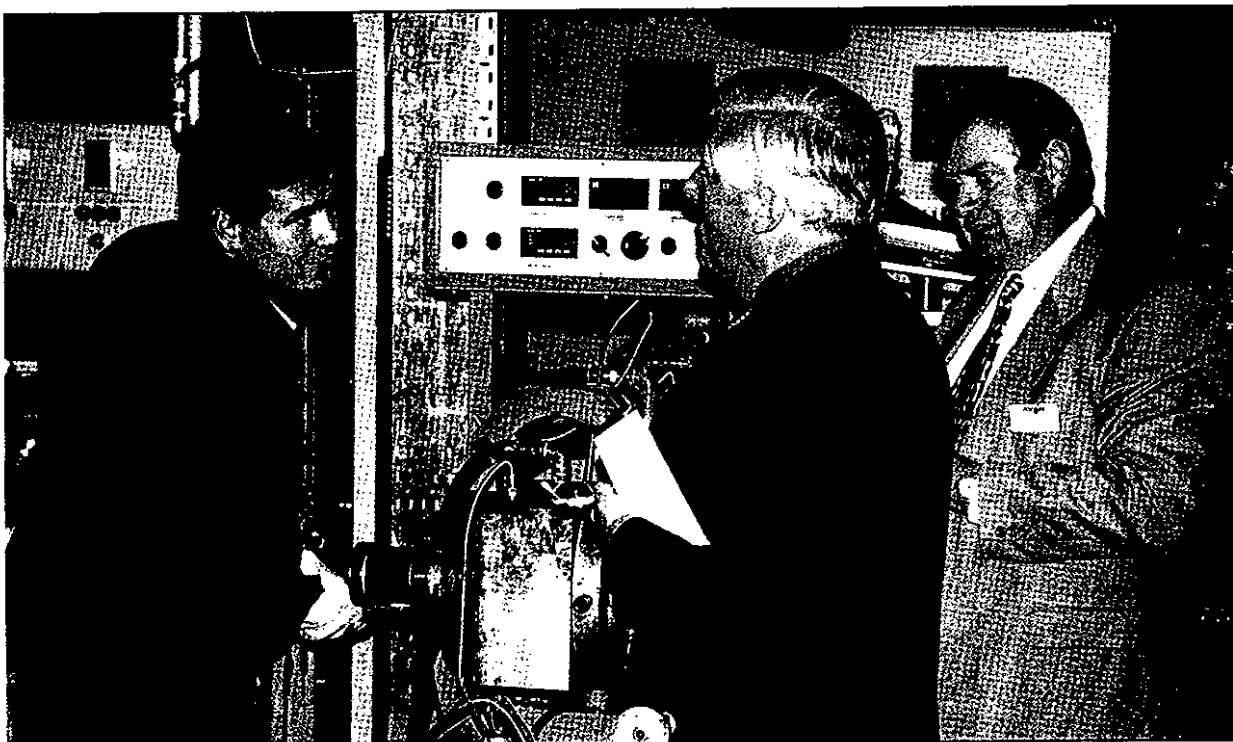
businesses. This has involved the creation of international teams managing their activities on a global basis.

Avon Automotive, with factories on three continents, now comprises the activities previously included within Cadillac Rubber & Plastics in North America and Avon Automotive Components division in Europe and the rest of the world.

Avon Technical Products' activities in Europe and North America have been integrated under an international management team.

Avon Tyres has developed its production, marketing, sales and distribution services to maximise opportunities throughout the world. It has significantly increased its sales and market penetration in the USA.

These activities support our plans to improve margins and release cash by the control of costs and enhancement of our product range. Success will provide the returns necessary to enable us to invest in our plans for future growth.



The British Ambassador to Portugal, His Excellency Roger Westbrook (centre), and Director Automotive Steve Stone (right) discuss production techniques at the opening of the Avon Polimeros plant in Tondela



## International Operations

In May, our European automotive business was strengthened by the opening of Avon Polimeros in Tondela, Portugal. This factory supplies heater and coolant hose to the Ford plants in Valencia, Spain and Sao Paulo, Brazil and plans to expand its customer base in the Iberian Peninsula.

In June, we established our joint venture company Gold Seal - Avon Polymers PVT Ltd at Mumbai, India which will manufacture coolant and heater hoses from early 1997. This venture combines Avon's long-established manufacturing and marketing expertise with Gold Seal's position as one of India's foremost manufacturers of extruded sealing systems, which they supply as original equipment to all of India's major vehicle producers.

Meanwhile, we have continued to develop our automotive and technical products businesses in Europe, USA and Mexico and are advancing our plans to establish access to emerging markets in China, Brazil and elsewhere.

## Innovation

Internally, we designated 1996 Avon's 'Year of Innovation' publicising a series of projects which focused on our capabilities in this vital area.

These included process innovation improvements in the manufacture of dairy liners; the development of the hydraulic engine mount and the CADbar impermeable fuel filler hose; improvements in the development of fuser rolls for highspeed office copying machines in association with our long-standing partners, Ames Rubber Corporation; and the unique capabilities of our remould and processed materials business.

## Automotive Components

As well as the new plants in Portugal and India to which I have already referred, a major event for the division was the acquisition in April of the outstanding 49 per cent of the share capital of Avon-Clevite Ltd, our joint venture operation with the Pullman Company of the USA.



The hose knitting operation at Avon Hose, Trowbridge

This business, which is based in Chippenham, has been renamed Avon Vibration Management Systems Ltd and as anticipated at the time of the announcement, we are now able to consolidate our position as a European market leader in the provision of advanced vibration management products. We foresee exciting opportunities to exploit this product group across the world's markets and our customer base includes leading American, European and Japanese vehicle manufacturers.

An example of how we can benefit from the ability to combine our global expertise was provided by the order from Chrysler to supply hoses for its new Voyager GS van.

Avon Hose in the UK, Avon Polymères in France and Cadillac Rubber & Plastics in the USA all played key roles in securing the business. Hoses for the European model are being supplied from our factories in the UK and France and from Cadillac, Michigan for vehicles manufactured in North America.

In USA, the clear technological lead established for CADbar, a non-permeable fuel hose, is providing a wider than anticipated fitment requirement. Avon Hose secured its biggest-ever order for a range of hoses for the new Ford Fiesta and is supplying 4 million hoses each year to Ford plants in Dagenham, England and Cologne, Germany. This business will provide future opportunities in India, South America and elsewhere.

## Technical Products

Considerable advances in production efficiency at Melksham resulted in improved margins. New manufacturing and assembly techniques have been introduced across a wide product range.

Sales of respirators were at a lower volume than in previous years, but were balanced by a steady demand for dairy liners, aerosols and office copier rollers.

Our sales of peristaltic pump hoses which carry a wide variety of materials have risen three-fold during the past two years.

CQC, based in Barnstaple, secured a £10.5 million order to re-equip Denmark's armed forces with a range of personal load carrying equipment. This contract will last beyond the year 2000.

In France, Avon Spencer Moulton benefited from the first full year of its production of

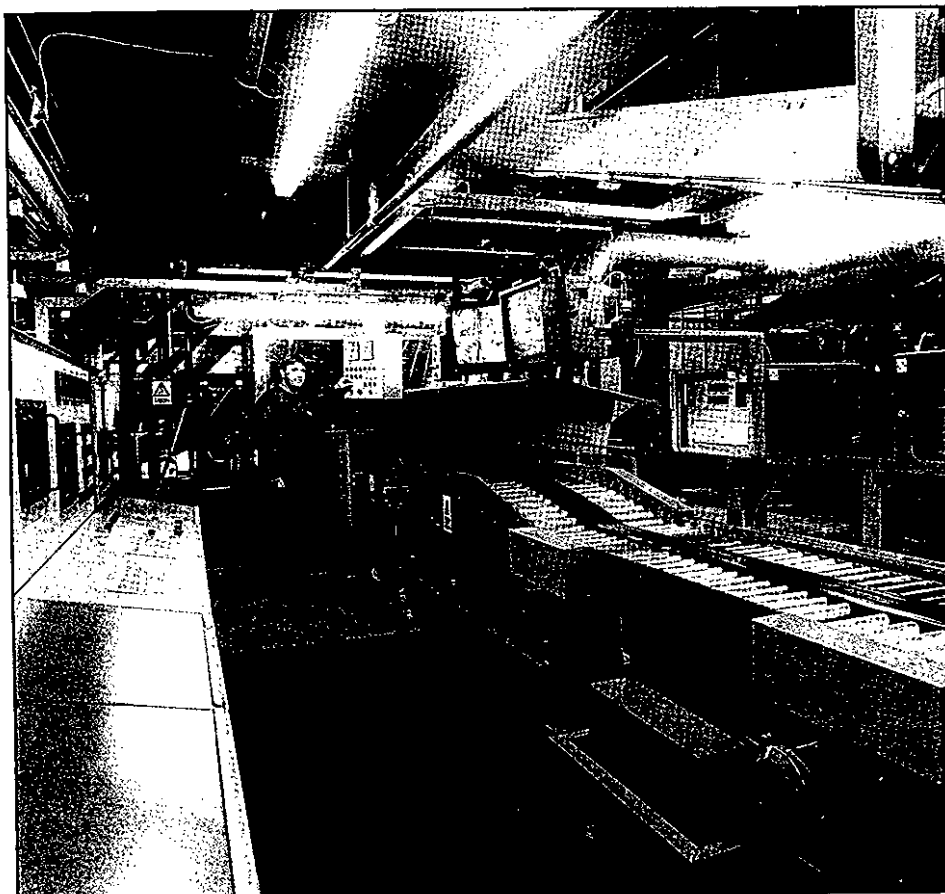
rubber crawler tracks for mini-excavators. Increasing demand has required additional manufacturing equipment.

In North America, Bell Avon was restored to profitability and gained new orders in the US defence sector. New opportunities include the introduction of products arising from proposed environmental controls on fuel storage. The technical products team, based in Cadillac, Michigan have secured an improved market share in North America for specialised oil drilling equipment.

Pacer Tool and Plastics, based in Newark, New Jersey has made a successful contribution in its first full year as a member of the group. It manufactures precision moulds for the plastics industry and containers and other components for the cosmetics/pharmaceutical industry in particular. The company improved its turnover and margins.



Dairy liners are produced by a fully automated process at Melksham



Avon Tyres has installed a state-of-the-art tread extrusion line at Melksham

## Tyres

As part of the drive to expand its global business, the tyre company has established Avon Pneumatiques to handle marketing and distribution in France from new premises in Compiègne near Paris.

We continue to gain new business overseas, exporting our tyres to 70 countries. Exports account for more than 40 per cent of total sales of tyres.

The investment in world-class manufacturing equipment has continued with the installation of a new triple head extruder line at Melksham to produce treads for car radial, motorcycle and truck tyres.

A state-of-the-art single stage tyre building machine has been successfully commissioned as part of an investment programme to

update car radial tyre production, and the low profile truck tyre building machine is producing first class products in this premium sector.

In motorcycling, we have won the contract to supply original equipment tyres for the exciting new Triumph Adventurer.

Avon Racing has again enjoyed a successful year, supplying its tyres on a sole contract basis to most of the major European and International single-seater championships except Formula One. These include International Formula 3000, British Formula 3, Formula Vauxhall Junior and the British and most international Zetec-powered Formula Ford Championships. In the prestigious Isle of Man TT races our tyres produced three class victories and two new lap records.

# Board of Directors

The following were directors at 9 December 1996.

## Lord Farnham Chairman

Aged 65. He has been a member of the board since 1966 and Chairman since 1978. He was formerly Chairman of Provident Mutual Life Assurance Association and of Brown Shipley Holdings.

## John Pinckard Non-executive Deputy Chairman

Aged 66. He has been a member of the board since 1980 and deputy chairman since February 1994. A chartered accountant, he is a director of Hadleigh Industries Group plc.

## Christopher King Non-executive Director - Chairman Designate

Aged 60. Appointed to the board on 1 January 1995, he spent 35 years with BP, holding senior international positions in general management, marketing, human resources and financial control. He was Chairman of BP Europe from 1989 until retiring at the end of 1994. He is a non-executive director of the BOC Group plc. He was made a C.B.E in the 1995 New Year's Honours list.

## Trevor Bonner Non-executive Director

Aged 53. He was appointed to the board in September 1994 and is a chartered accountant. An executive director of GKN plc since 1985, he is also a vice president of the Society of Motor Manufacturers and Traders. He was made a C.B.E. in the 1996 Birthday Honours list.

## Steve Willcox Chief Executive

Aged 50. He was appointed to the board in 1991 as the director responsible for Avon's polymer interests in Europe, and became Chief Executive on 1 January 1995. He joined the company in 1968 as a graduate trainee.

## Hamish McPhie Finance Director

Aged 54. He was appointed to the board on 1 October 1995, having previously held a similar position with Molins plc. He qualified as an accountant in Bristol and spent many years in international manufacturing businesses including American Standard, Babcock International plc and BTR plc.

## Don Samardich Executive Director Avon Technical Products

Aged 57. He was appointed to the board on 1 January 1994 having joined the group in 1990. He became President of Cadillac Rubber & Plastics Inc. in October of that year. Before joining the group he had founded his own law firm and practiced as an attorney in Michigan.

## Steve Stone Executive Director Avon Automotive

Aged 46. He was appointed to the board on 1 June 1995, having previously been managing director of Avon Automotive Components. He joined the company in 1966 as a technical trainee.

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## 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.

# Directors' Report

The directors submit the one hundred and sixth annual report and audited financial statements of the company for the year ended 28 September 1996.

## 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 11

## 2. Results and Dividend

The group profit for the year before taxation amounts to **£21,509,000** (1995 £16,191,000). The group profit for the year after taxation and minority interests amounts to **£13,613,000** (1995 £10,970,000). An interim dividend of 5.75p per share (1995 5.35p) was paid on 28 July 1996. The directors recommend a final dividend of 13.75p per share (1995 12.35p) making a total of 19.5p per share for the year to 28 September 1996 (1995 17.7p). Full details are set out in the profit and loss account on page 20.

The total distribution of dividends for the year to 28 September 1996 is £5,273,000 (1995 £4,769,000).

## 3. Directors

The names of the directors as at 9 December 1996 are set out on page 12. None of the directors had a beneficial interest in any contract to which the parent company or any subsidiary was a party during the year. Beneficial interests of directors, their families and trusts in ordinary shares of the company can be found on page 18.

No movements occurred in directors' shareholdings between the end of the financial year and 9 December 1996. Mr T.C. Bonner retires in rotation as a director and, being eligible, offers himself for re-election. Mr J.M. Woolley resigned as a director on 28 September 1996.

## 4. Substantial shareholdings

At 26 November 1996, the following shareholders held 3% or more of the Company's issued ordinary share capital.

M&G Investment Management Limited	10.74%
Britannic Assurance Public Limited Company	4.45%
Prudential Portfolio Managers Limited	4.16%
Scottish Amicable Nominees Limited	3.77%

## 5. Political and charitable contributions

No political contributions were made during the year. Contributions for charitable purposes amounted to £114,000 (1995 £84,000).

## 6. Creditor Payment Policy

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is group policy that payments are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

## 7. Disabled persons

It is the policy of the group 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

Employee consultation, communication and involvement have long been recognised as being of great value and these practices will be maintained as a vital element in our drive to achieve the highest standards of training and development. Consultation enables employees' views to be taken into account in all matters which may affect their interests and, as part of our continuous improvement activity, supervisors and employees meet regularly to tackle problems together in a teamwork atmosphere.

## 9. Research and development

The group's investment in research and development in the year to 28 September 1996 amounted to £8.2 million (1995: £8.6 million). The group continues to strengthen its technology base through in-house development programmes directed mainly at enhancing the performance of its products or processes, and through joint developments with customers, suppliers and universities.

Environmental regulations make increasing demands on the performance requirements of many of our products. This is presenting the opportunity to develop and exploit our technology and increase market penetration worldwide.

## 10. Health, Safety and the Environment

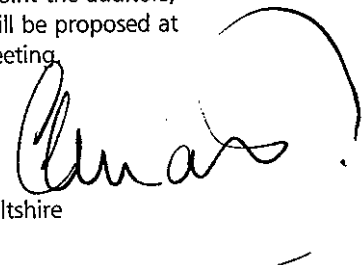
The directors consider the health, safety and environmental protection aspects of our business to be of great importance, as the prevention of personal injury, the avoidance of damage to health and the protection of the environment contribute to the running of an efficient business.

Management practices within the group will ensure, so far as is reasonably practicable, the health, safety and welfare at work of our employees, contractors and visitors, the health and safety of all other persons affected by our business activities and the effective planning and implementation of environmental controls, in line with appropriate legislation, standards and best practice.

## 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  
Bradford-on-Avon, Wiltshire  
9 December 1996



# Corporate Governance

## Statement of compliance with the Code of Best Practice

The company complied throughout the year, and remains in compliance, with the Code of Best Practice incorporated in the report of the Cadbury Committee on the financial aspects of Corporate Governance.

The directors describe below some of the key procedures which are designed to achieve effective internal financial control.

### Internal Controls

The directors acknowledge their responsibility for the group's system of internal financial control. The system can provide only reasonable, and not absolute, assurance against material mis-statements or losses.

Among the procedures designed to maintain an appropriate control environment are the following:

- Systems exist throughout the group which provide for the creation of three year plans and annual budgets; monthly reports enable the board to compare performance against budget and to take action where appropriate.
- Procedures are in place to identify any major business risks and evaluate their potential financial effects.
- There is a clearly defined delegation of authority from the board to the operating companies, with appropriate reporting lines from business managers to divisional managing directors and thence to individual executive directors.
- There are procedures for the authorisation of capital expenditure and investment, together with procedures for post-completion appraisal.
- 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.
- Although the board itself retains the ultimate power and authority in relation to decision making, the Audit Committee of the board of directors meets regularly with management and external auditors to review specific accounting, reporting and internal control matters. The Committee also reviews the interim, preliminary and annual results statements. Both the board and the Committee have reviewed the effectiveness of the group's internal financial controls.

### Going Concern

After making enquiries the directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial 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' statements on this page concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v).

### Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate

governance procedures, nor on the ability of the group to continue in operational existence.

### Opinion

With respect to the directors' statements on internal financial control and going concern on this page, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on the enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statements on this page appropriately reflect the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

*Coopers & Lybrand*  
Coopers & Lybrand, Chartered Accountants,  
Bristol, 9 December 1996

# Report of the Remuneration Committee

The Senior Executive Remuneration and Benefits Committee consists exclusively of non-executive directors, namely:-

Lord Farnham  
(Chairman of the Committee)

Mr. J. M. Pinckard

Mr. T. C. Bonner C.B.E.

Mr. C. P. King C.B.E.

Additionally, Mr J.M. Woolley was a member of the committee throughout the year under review.

No member of the Committee has any personal financial interest (other than the shareholdings set out on Page 18), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

The company is in compliance with section A of the best practice provisions annexed to the London Stock Exchange's Listing Rules, which concerns the membership and operation of the Remuneration Committee.

The Remuneration Committee decides the remuneration policy that applies to executive directors and other senior management. In determining that policy it has given full consideration to section B of the best practice provisions annexed to the London Stock Exchange's Listing Rules. In setting the policy it considers a number of factors including the need to attract and retain directors of an appropriate calibre and the need to ensure executive directors' commitment to the continued success of the company by means of appropriate incentive schemes.

The Committee generally meets three times a year.

## **Remuneration Policy for executive directors**

The company's remuneration policy for executive directors is to:

- (a) Have regard to the directors' experience and the nature and complexity of their work in order to offer competitive salary and benefit arrangements that attract and retain management of the highest quality.
- (b) Link individual remuneration packages to the group's long-term performance through the use of long-term incentive schemes involving share options.
- (c) Ensure that the performance-related elements of remuneration are relevant, demanding and business enhancing and designed to align the interests of directors and shareholders.

## **Executive Share Incentive Scheme 1996 ("the 1996 Scheme")**

At the 1996 Annual General Meeting shareholders approved the 1996 Scheme, a description of which was contained in the 1995 Report and Accounts. Briefly the 1996 Scheme provides that executive directors will take a percentage of any annual bonus in the form of shares on the basis that three years later a number of matching shares may be awarded dependent on the group's performance in terms of total shareholder return as compared with a comparator group of companies. No shares were obtained by any executive director under the 1996 Scheme in the year under review.

## **Pensions**

All the executive directors with the exception of Mr. D. C. Samardich are currently members of the group's Senior Executive Retirement and Death Benefits Plan. Subject to Inland Revenue limits, members are eligible for a pension of up to two thirds of final pensionable salary upon retirement at the age of 60, provided that the minimum service requirement of 20 years has been met. Additionally, a defined contribution scheme is in place for the benefit of Mr. I. A. H. McPhie.

Mr D.C. Samardich is a member of the Cadillac Rubber and Plastics 401 (k) Defined Contribution Savings Plan.

Directors' basic salaries are the only pensionable element of their remuneration packages.

## **Contracts of Service**

All of the executive directors have contracts of service which can be terminated by the company with a notice period of two years.

The Committee's view is that one year rolling contracts would not give the company the continuity that is desirable at the most senior level.

It is the Committee's policy to review any case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded.



**Directors' Emoluments**

	Basic Salary & fees £'000	Other Benefits £'000	Annual Bonus £'000	Total Emoluments excluding Pensions		Pension Contributions		Total Emoluments including Pensions	
	1996 £'000	1996 £'000	1996 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
<b>Executive</b>									
S.J. Willcox (highest paid director)	161	12	51	224	190	16	11	240	201
D.C. Samardich	133	9	40	182	154	63	52	245	206
I.A.H. McPhie	120	16	37	173	-	18	-	191	-
S.J. Stone	104	12	33	149	45	10	3	159	48
J.S. Harper* (resigned 31.12.94)	-	-	-	-	27	-	2	-	29
A.K. Mitchard (Retired 31.12.94)	-	-	-	-	67	-	3	-	70
<b>Non-executive</b>									
Lord Farnham (Chairman)	40	-	-	40	40	-	-	40	40
J.M. Pinckard	15	-	-	15	15	-	-	15	15
J.M. Woolley (resigned 28.9.96)	15	-	-	15	15	-	-	15	15
T.C. Bonner	15	-	-	15	15	-	-	15	15
C.P. King	15	-	-	15	11	-	-	15	11
Sir J. Milne (Retired 6.2.95)	-	-	-	-	8	-	-	-	8
<b>Total 1996</b>	<b>618</b>	<b>49</b>	<b>161</b>	<b>828</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>935</b>	<b>-</b>
<b>Total 1995</b>	<b>463</b>	<b>56</b>	<b>68</b>	<b>-</b>	<b>587</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>658</b>

\*Excludes £153,000 compensation for loss of office.

No director waived emoluments in respect of the year ended 28 September 1996.

**Executive Directors' Pensions**

Following the Greenbury Report and subsequent work by the Institute of Actuaries and the Faculty of Actuaries, the Stock Exchange Listing Rules have been amended to require the disclosure of certain additional information relating to the pensions of executive directors. The amendments to the Listing Rules do not apply to the company in respect of the year under review but the Remuneration Committee has nonetheless decided to publish the relevant information.

	<b>S.J. Willcox</b>	<b>S.J. Stone</b>	<b>I.A.H. McPhie</b>
Accrued entitlement as at 30 September 1996	£70,243 p.a.	£49,420 p.a.	£2,620 p.a.
Increase in accrued entitlement over the period in excess of the increase awarded to deferred pensioners	£11,520 p.a.	£13,336 p.a.	£2,620 p.a.
Contributions paid by each director over the period	£8,434	£5,706	£4,323
Increase in the transfer value over the year (net of the director's contributions)	£104,376	£109,399	£25,620

The company's contribution to Mr I.A.H. McPhie's defined contribution scheme amounted to £10,464.

Mr D.C. Samardich is a member of a Defined Contribution Plan in the United States and the disclosures made above are not relevant in his case.

**Directors' Interests**

Beneficial interests of directors, their families and trusts in ordinary shares of the company were:

	At the beginning of the year	At the end of the year
Lord Farnham	12,206	12,206
J M Pinckard	7,500	9,000
T C Bonner	500	2,000
C P King	1,000	1,000
I A H McPhie	-	5,000
D C Samardich	-	-
S J Stone	669	669
S J Willcox	3,592	5,385
J M Woolley	11,099	11,291

Details of directors' share options held, exercised and granted during the year are as follows:

**Executive Share Option Scheme:**

	Number of Options At 30/9/95	Granted during the year	Number of Options At 28/9/96	Exercise Price (£)	Exercisable at any time up to
S J Willcox	15,881	-	15,881	6.30	Aug 1997
	24,000	-	24,000	5.81	Feb 2004
	60,000	-	60,000	5.10	Jun 2005
D C Samardich	17,000	-	17,000	5.81	Feb 2004
S J Stone	15,000	-	15,000	5.81	Feb 2004
	24,000	-	24,000	5.10	Jun 2005
I A H McPhie	-	39,000	39,000	5.03	Oct 2002

No options were exercised by directors during the year.

**Savings Related Share Option Schemes:**

				Exercisable during
S J Willcox	4,730	4,730	1.90	1998
	5,301	5,301	2.55	1999
	-	841	3.80	2003
S J Stone	901	901	3.71	1997
	1,177	1,177	2.55	1997
	1,891	1,891	1.90	1998
	-	1,125	3.80	2001

At 28 September 1996 other persons held options for 1,109,000 ordinary shares, exercisable between 1996 and 2003, at option prices ranging from £1.90 to £4.24.

All options are over ordinary shares of £1 each.

At 28 September 1996, the market price of Avon Rubber shares was £7.07 (1995 £5.23). During the year the highest and lowest market prices were £7.51 and £4.74 respectively.

# Statement of Directors' Responsibilities

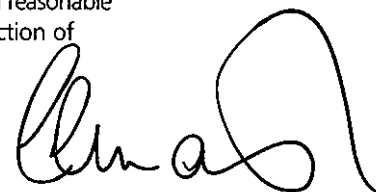
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- 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  
Bradford-on-Avon, Wiltshire  
9 December 1996



## Auditors' Report

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

We have audited the financial statements on pages 20 to 42.

### 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 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 28 September 1996 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, 9 December 1996

# Consolidated Profit and Loss Account

for the year ended 28 September 1996

	Note	1996 £'000	1995 £'000
<b>Turnover</b>	2	<b>347,471</b>	<b>306,467</b>
Cost of sales		(286,739)	(253,241)
Gross profit		60,732	53,226
Distribution costs		(10,334)	(10,332)
Administrative expenses		(26,912)	(24,625)
Other operating income		1,434	1,702
Share of profits of associated companies	3	184	255
<b>Operating profit</b>	2	<b>25,104</b>	<b>20,226</b>
Net interest payable	4	(3,595)	(4,035)
<b>Profit on ordinary activities before taxation</b>	5	<b>21,509</b>	<b>16,191</b>
Taxation on profit on ordinary activities	6	(7,096)	(5,230)
<b>Profit on ordinary activities after taxation</b>		<b>14,413</b>	<b>10,961</b>
Minority interests		(800)	9
<b>Profit for the year</b>		<b>13,613</b>	<b>10,970</b>
Dividends (incl non-equity interests)	7	(5,273)	(4,769)
<b>Retained profit for the year</b>	25	<b>8,340</b>	<b>6,201</b>
<b>Earnings per ordinary share</b>	8	<b>50.6p</b>	<b>40.9p</b>

All of the group's turnover and profit was generated from continuing activities.  
There is no material difference between the profit as stated above and that calculated on an historical cost basis.

## Consolidated Statement of Total Recognised Gains & Losses

for the year ended 28 September 1996

	Note	1996 £'000	1995 £'000
<b>Profit for the year</b>		<b>13,613</b>	<b>10,970</b>
Unrealised surplus on property revaluation	11	2,484	-
Net exchange differences on overseas investments	25	(148)	99
Total recognised gains and losses relating to the year		<b>15,949</b>	<b>11,069</b>
Prior year adjustment		-	(1,253)
Total gains and losses since last annual report		<b>15,949</b>	<b>9,816</b>

# Consolidated Balance Sheet

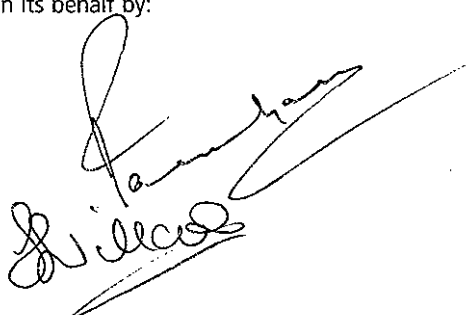
at 28 September 1996

		1996		1995	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	11		91,825		86,841
Investments	13		1,566		1,410
			93,391		88,251
<b>Current assets</b>					
Stocks	16	36,573		35,804	
Debtors	17	70,081		70,413	
Cash at bank and in hand		11,489		10,649	
		118,143		116,866	
<b>Creditors</b>					
Amounts falling due within one year	18	78,553		72,352	
<b>Net current assets</b>			39,590		44,514
<b>Total assets</b>					
<b>less current liabilities</b>			132,981		132,765
<b>Creditors</b>					
Amounts falling due after more than one year	19	34,273		39,602	
<b>Provisions for liabilities and charges</b>	20	3,776		4,817	
			38,049		44,419
<b>Net assets</b>			94,932		88,346
<b>Capital and reserves</b>					
Share capital	24		27,452		27,313
Share premium account	25		31,342		31,179
Revaluation reserve	25		2,812		335
Profit and loss account	25		29,196		23,476
<b>Shareholders' funds</b>					
(incl non-equity interests)	23		90,802		82,303
<b>Minority interests</b>			4,130		6,043
			94,932		88,346

These financial statements were approved by the board of directors on 9 December 1996 and were signed on its behalf by:

Farnham

S J Willcox



# Parent Company Balance Sheet

at 28 September 1996

		1996		1995	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	12		9,141		8,968
Investments	14		82,585		82,585
			<u>91,726</u>		<u>91,553</u>
<b>Current assets</b>					
Debtors	17	3,484		3,254	
Cash at bank and in hand		<u>10,929</u>		<u>8,191</u>	
		14,413		11,445	
<b>Creditors</b>					
Amounts falling due within one year	18	<u>7,007</u>		<u>5,367</u>	
<b>Net current assets</b>			<u>7,406</u>		<u>6,078</u>
<b>Total assets less current liabilities</b>			99,132		97,631
<b>Creditors</b>					
Amounts falling due after more than one year	19	10,186		10,124	
<b>Provisions for liabilities and charges</b>	21	<u>60</u>		<u>92</u>	
<b>Net assets</b>			<u>10,246</u>		<u>10,216</u>
			<b>88,886</b>		<b>87,415</b>
<b>Capital and reserves</b>					
Share capital	24		27,452		27,313
Share premium account	26		31,342		31,179
Merger reserve	26		16,439		16,439
Revaluation reserve	26		616		254
Profit and loss account	26		<u>13,037</u>		<u>12,230</u>
<b>Shareholders' funds</b>			<u>88,886</u>		<u>87,415</u>
(incl non-equity interests of £500,000)					

These financial statements were approved by the board of directors on 9 December 1996 and were signed on its behalf by:

Farnham

S J Willcox

# Consolidated Cash Flow Statement

for the year ended 28 September 1996

		1996		1995	
	Note	£'000	£'000	£'000	£'000
<b>Net cash flow from operating activities</b>	27		41,556		28,138
<b>Return on investments and servicing of finance</b>					
Interest received		153		232	
Interest paid		(3,694)		(3,481)	
Interest paid on finance leases		(369)		(642)	
Associated company dividends		159		124	
Dividends paid by parent company		(4,812)		(4,464)	
Dividends paid to minority shareholders		(245)		-	
<b>Net cash outflow from return on investments and servicing of finance</b>			(8,808)		(8,231)
<b>Taxation</b>					
Corporation tax paid			(4,723)		(3,921)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(16,572)		(16,679)	
Purchase of fixed asset investments		(194)		-	
Sale of tangible fixed assets		363		241	
Purchase of shares in subsidiary undertakings	28	(4,900)		(5,701)	
Sale of subsidiary undertaking		-		1,342	
<b>Net cash outflow on investing activities</b>			(21,303)		(20,797)
<b>Net cash inflow/(outflow) before financing</b>			6,722		(4,811)
<b>Financing</b>					
Issue of ordinary shares		302		404	
Issue of shares to minority shareholders		128		-	
New loans		-		7,206	
Repayment of loans		(5,835)		(136)	
New finance leases		761		1,046	
Principal payments under finance leases		(1,162)		(1,055)	
Decrease in financing of trade debtors		(533)		(2,139)	
<b>Net cash (outflow)/inflow on financing</b>			(6,339)		5,326
<b>Increase in cash and cash equivalents</b>	31		383		515

# Accounting Policies

for the year ended 28 September 1996

## Basis of Accounting

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

## Accounting period

The company's accounting period ends on the Saturday nearest to 30 September each year. The period ended 28 September 1996 consisted of 52 weeks (1995 52 weeks).

## Consolidation

The consolidated financial statements include the financial statements of all group undertakings and the group's share of profits less losses of associated companies. Goodwill arising on consolidation is set off against group reserves in the year of acquisition. In the event of a disposal, goodwill is charged to the profit and loss account as part of the profit or loss on that disposal.

## 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 UK group undertakings participate in a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of

members of the scheme. The cost of providing other post-retirement benefits is recognised on a basis similar to that adopted for pensions.

## Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less amounts provided for depreciation. No depreciation is provided on freehold land where its value can be separately ascertained. In all other cases freehold properties are depreciated on a 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.

## Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that the liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions and other post-retirement benefits.

## 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 are translated 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 and reported in the consolidated statement of total recognised gains and losses. 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 lease agreements, which transfer to the group substantially all the benefits and risks of ownership of the assets, 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 on a straight line basis.

### Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on a normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

# Notes to the Financial Statements

for the year ended 28 September 1996

## 1 Parent Company

As permitted by S230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £6,072,000 (1995 £1,026,000 loss).

## 2 Segmental Information

(a) External sales by destination:	1996 £'000	1995 £'000
United Kingdom	115,464	110,796
Other European	99,107	84,373
North America	122,975	98,531
Rest of World	9,925	12,767
	<u>347,471</u>	<u>306,467</u>

(b) By origin:	1996			
	External Sales £'000	Inter Segment Sales £'000	Operating Profit £'000	Operating Net Assets £'000
United Kingdom	180,063	12,019	14,758	72,323
Other European	51,873	2,572	1,639	17,669
North America	115,535	-	8,707	43,054
	<u>347,471</u>	<u>14,591</u>	<u>25,104</u>	<u>133,046</u>

	1995			
	External Sales £'000	Inter Segment Sales £'000	Operating Profit £'000	Operating Net Assets £'000
United Kingdom	169,025	10,302	11,644	74,200
Other European	44,864	2,009	2,455	13,006
North America	92,578	-	6,127	44,022
	<u>306,467</u>	<u>12,311</u>	<u>20,226</u>	<u>131,228</u>

**(c) By business sector**

	1996			Operating Net Assets £'000
	External Sales £'000	Inter Segment Sales £'000	Operating Profit £'000	
Automotive components	161,566	-	11,042	62,595
Technical products	88,551	-	7,119	21,993
Tyres and processed materials	97,354	13,473	6,943	48,458
	<b>347,471</b>	<b>13,473</b>	<b>25,104</b>	<b>133,046</b>

	1995			Operating Net Assets £'000
	External Sales £'000	Inter Segment Sales £'000	Operating Profit £'000	
Automotive components	130,060	-	9,170	58,863
Technical products	82,659	-	6,069	22,025
Tyres and processed materials	93,748	9,109	4,987	50,340
	<b>306,467</b>	<b>9,109</b>	<b>20,226</b>	<b>131,228</b>

**(d) Reconciliation of operating net asset analysis**

	1996 £'000	1995 £'000
Consolidated balance sheet	94,932	88,346
Borrowings	43,596	49,748
Interest bearing bills payable	2,244	2,033
Interest bearing bank deposits	(7,726)	(8,899)
<b>Operating net assets</b>	<b>133,046</b>	<b>131,228</b>

**(e) Employees**

The number of employees during the year was:

	1996		1995	
	Year end	Average	Year End	Average
Automotive components	3,131	3,072	2,935	2,853
Technical products	1,637	1,629	1,598	1,464
Tyres and processed materials	1,408	1,419	1,405	1,372
	<b>6,176</b>	<b>6,120</b>	<b>5,938</b>	<b>5,689</b>

# Notes to the Financial Statements

for the year ended 28 September 1996

## 3 Associated companies

	1996		1995	
	£'000	£'000	£'000	£'000
<b>Group share of profit</b>		<b>184</b>		<b>255</b>
Less: taxation	68		100	
received in dividend	<u>159</u>	<u>227</u>	<u>124</u>	<u>224</u>
(Decrease)/increase in interest in associated companies		<u>(43)</u>		<u>31</u>

Name of Company	Share Capital	Held by the Group	Accounting Date	Basis of Consolidation
Ames-Avon Industries USA	2,000 shares of nil par value	49%	31 December	Audited accounts for 1995. Unaudited accounts to September 1996.
Gold Seal Avon Polymers PVT India	1,940,000 shares of 10 rupees each	50%	30 September	Unaudited accounts to September 1996.

## 4 Net interest payable

	1996 £'000	1995 £'000
Bank loans and overdrafts	2,305	2,152
Other loans	<u>1,074</u>	<u>1,460</u>
	3,379	3,612
On finance leases	<u>369</u>	<u>642</u>
	3,748	4,254
Interest receivable	<u>(153)</u>	<u>(219)</u>
	<b>3,595</b>	<b>4,035</b>

## 5 Profit on ordinary activities before taxation

	1996 £'000	1995 £'000
<b>Profit on ordinary activities before taxation is stated after crediting:</b>		
Rent receivable	83	84
<b>and after charging:</b>		
Depreciation for the year on tangible fixed assets:		
owned assets	11,073	9,044
leased assets	<u>1,956</u>	<u>2,210</u>
Provision for permanent diminution in value of fixed assets	301	-
Auditors' remuneration for:		
Audit (Company £28,000; 1995 £32,000)	318	291
Other services to UK members of the group	88	108
Research and development	8,164	8,624
Loss on foreign exchange	22	190
Operating leases:		
plant and machinery	3,046	2,234
other assets	<u>1,292</u>	<u>1,022</u>

**6 Taxation**

	1996	1995
	£'000	£'000

The taxation charge, based on the results for the year, comprises:

United Kingdom corporation tax at 33% (1995 33%)	3,824	2,653
Overseas taxes	3,146	2,337
Associated company	68	100
	<u>7,038</u>	<u>5,090</u>
Deferred taxation	58	140
	<u>7,096</u>	<u>5,230</u>

The corporation tax charge for the year is reduced by an excess of capital allowances over depreciation of £1,522,000 (1995 £2,980,000).

An analysis of provided and unprovided deferred tax at 33% (1995 33%) is shown below:

	Amount provided		Amount unprovided	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Capital allowances	(15)	(44)	(8,035)	(7,754)
Pension deferral	41	272	403	597
Post retirement healthcare	769	742	-	-
Other timing differences	68	-	265	135
Losses	-	-	780	815
<b>Asset/(potential liability)</b>	<u>863</u>	<u>970</u>	<u>(6,587)</u>	<u>(6,207)</u>

In addition to the above there are losses of £563,000 (in terms of tax) available for carry forward.

**7 Dividends**

	1996	1995
	£'000	£'000

Dividends on equity shares:

Ordinary - Interim paid of 5.75p per share (1995 5.35p per share)	1,542	1,433
Ordinary - Final proposed of 13.75p per share (1995 12.35p per share)	<u>3,706</u>	<u>3,311</u>
	5,248	4,744

Dividends on non-equity shares:

Preference 4.9% paid	<u>25</u>	<u>25</u>
	<u>5,273</u>	<u>4,769</u>

**8 Earnings per share**

Earnings per share amount to 50.6p (1995 40.9p) and are based on a profit of £13,588,000 (1995 £10,945,000) and 26,875,000 ordinary shares (1995 26,728,000) being the weighted average of the shares in issue during the year.

# Notes to the Financial Statements

for the year ended 28 September 1996

## 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 1995 when the market value of the plan's assets was **£176.0 million**. The actuarial value of those assets represented 108% of the value of the benefits which had accrued to members, after allowing for future increases in salaries.

Pension cost for the year ended 28 September 1996 is based on the actuarial valuation as at 31 March 1995. The principal actuarial assumptions used are that the annual rate of return on investments would be 2.5% (1995 2%) higher than the annual increase in pensionable remuneration and 4% (1995 4.5%) higher than the annual increase in present and future pensions in payment. The pension cost to the group in the year ended 28 September 1996 in respect of UK employees was **£3,938,000** (1995 £4,281,000). A provision of **£1,382,000** (1995 £2,632,000) 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 28 September 1996 in respect of overseas employees was **£2,106,000** (1995 £1,891,000).

### 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. The amount charged to the group profit and loss account in the year ended 28 September 1996 is **£183,000** (1995: £289,000), and the accrued liability of **£2,394,000** (1995: £2,185,000) is included in provisions for liabilities and charges.

## 10 Directors & Employees

Detailed disclosures of directors' remuneration and share options are given in the Report of the Remuneration Committee on pages 16 to 18.

	1996 £'000	1995 £'000
<b>Staff costs during the year were:</b>		
Wages and salaries	91,746	87,635
Social security costs	9,661	9,071
Other pension costs	6,464	6,582
	<b>107,871</b>	<b>103,288</b>

# 11 Tangible fixed assets - Group

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation:</b>					
At 1 October 1995	24,234	615	316	151,644	176,809
Exchange differences	(109)	-	1	(282)	(390)
Revaluations	(3,706)	185	-	-	(3,521)
Reclassifications	(13)	-	-	13	-
Additions at cost	177	370	-	15,495	16,042
Disposals	-	-	-	(1,471)	(1,471)
At 28 September 1996	<u>20,583</u>	<u>1,170</u>	<u>317</u>	<u>165,399</u>	<u>187,469</u>
At Cost	2,854	370	317	165,399	168,940
At Valuation	17,729	800	-	-	18,529
	<u>20,583</u>	<u>1,170</u>	<u>317</u>	<u>165,399</u>	<u>187,469</u>
<b>Depreciation:</b>					
At 1 October 1995	5,691	185	241	83,851	89,968
Exchange differences	(67)	-	1	(469)	(535)
Revaluations	(5,808)	(197)	-	-	(6,005)
For the year	896	35	7	12,392	13,330
On disposals	-	-	-	(1,114)	(1,114)
At 28 September 1996	<u>712</u>	<u>23</u>	<u>249</u>	<u>94,660</u>	<u>95,644</u>
<b>Net book value:</b>					
at 28 September 1996	<u>19,871</u>	<u>1,147</u>	<u>68</u>	<u>70,739</u>	<u>91,825</u>
At 30 September 1995	<u>18,543</u>	<u>430</u>	<u>75</u>	<u>67,793</u>	<u>86,841</u>
			1996 £'000		1995 £'000
<b>Net book value comprises:</b>					
Owned assets			83,535		78,418
Leased assets			8,290		8,423
			<u>91,825</u>		<u>86,841</u>

Group properties were valued independently as at 28 September 1996 on the basis of existing use value or open market value as deemed appropriate. These valuations were undertaken in the United Kingdom by Knight Frank and overseas by DTZ Debenham Thorpe, both firms of independent Chartered Surveyors.

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	25,773	558	107
Depreciation	<u>8,208</u>	<u>175</u>	<u>55</u>
<b>Net book value:</b>			
at 28 September 1996	<u>17,565</u>	<u>383</u>	<u>52</u>
At 30 September 1995	<u>17,936</u>	<u>182</u>	<u>68</u>

# Notes to the Financial Statements

for the year ended 28 September 1996

## 12 Tangible fixed assets - Parent

	Freeholds £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation:</b>				
At 1 October 1995	9,918	615	280	10,813
Revaluations	(1,513)	185	-	(1,328)
Additions at cost	37	-	47	84
Disposals	-	-	(87)	(87)
At 28 September 1996	<u>8,442</u>	<u>800</u>	<u>240</u>	<u>9,482</u>
At Cost	997	-	240	1,237
At Valuation	<u>7,445</u>	<u>800</u>	<u>-</u>	<u>8,245</u>
	<u>8,442</u>	<u>800</u>	<u>240</u>	<u>9,482</u>
<b>Depreciation:</b>				
At 1 October 1995	1,551	185	109	1,845
Revaluations	(1,497)	(197)	-	(1,694)
For the year	178	12	39	229
On disposals	-	-	(39)	(39)
At 28 September 1996	<u>232</u>	<u>-</u>	<u>109</u>	<u>341</u>
<b>Net book value at 28 September 1996</b>	<u>8,210</u>	<u>800</u>	<u>131</u>	<u>9,141</u>
Net book value at 30 September 1995	<u>8,367</u>	<u>430</u>	<u>171</u>	<u>8,968</u>

	1996 £'000	1995 £'000
<b>Net book value comprises:</b>		
Owned assets	8,341	8,523
Leased assets	<u>800</u>	<u>445</u>
	<u>9,141</u>	<u>8,968</u>

Group properties were valued independently as at 28 September 1996 on the basis of existing use value or open market value as deemed appropriate. These valuations were undertaken in the United Kingdom by Knight Frank and overseas by DTZ Debenham Thorpe, both firms of independent chartered surveyors.

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	11,301	327
Depreciation	<u>3,718</u>	<u>152</u>
<b>Net book value at 28 September 1996</b>	<u>7,583</u>	<u>175</u>
Net book value at 30 September 1995	<u>7,760</u>	<u>182</u>



**13 Fixed asset investments - Group**

	Associated companies £'000	Other investments other than loans £'000	Total £'000
<b>Unlisted shares at cost, less amount written off:</b>			
At 1 October 1995	171	547	718
Addition: Gold Seal-Avon Polymers PVT	194	-	194
Exchange differences	2	(1)	1
At 28 September 1996	367	546	913
<b>Group share of profits less losses of associated companies:</b>			
At 1 October 1995	692	-	692
Exchange differences	4	-	4
For the year	(43)	-	(43)
At 28 September 1996	653	-	653
<b>Net book value at 28 September 1996</b>	<b>1,020</b>	<b>546</b>	<b>1,566</b>
Net book value at 30 September 1995	863	547	1,410

**14 Fixed asset investments - Parent**

	Group undertakings £'000
<b>Unlisted shares at cost, less amount written off:</b>	
At 1 October 1995	82,585
<b>Net book value at 28 September 1996</b>	<b>82,585</b>

A list of group undertakings appears on page 42.

# Notes to the Financial Statements

for the year ended 28 September 1996

## 15 Other financial commitments

	Group		Parent	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Capital expenditure committed	<u>1,270</u>	<u>1,797</u>	<u>-</u>	<u>-</u>

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.

The annual commitments for non-cancellable operating leases are:

	1996		1995	
	Land and buildings	Other assets	Land and buildings	Other assets
	£'000	£'000	£'000	£'000
<b>For leases expiring:</b>				
Within 1 year	6	500	112	392
In 2-5 years	298	795	168	838
Over 5 years	<u>1,280</u>	<u>14</u>	<u>1,137</u>	<u>22</u>
	<u><b>1,584</b></u>	<u><b>1,309</b></u>	<u><b>1,417</b></u>	<u><b>1,252</b></u>

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

## 16 Stocks

	1996	1995
	£'000	£'000
Raw materials	9,031	8,692
Work in progress	8,286	8,962
Finished goods	<u>19,256</u>	<u>18,150</u>
	<u><b>36,573</b></u>	<u><b>35,804</b></u>

**17 Debtors**

	Group		Parent	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade debtors	60,044	58,167	23	43
Group undertakings	-	-	526	2,233
Undertakings in which the group has a participating interest	303	348	-	-
Deferred tax	-	228	-	4
Corporation tax	2,270	3,121	2,619	560
Other debtors	3,083	4,553	308	407
Prepayments	1,197	1,416	8	7
	<u>66,897</u>	<u>67,833</u>	<u>3,484</u>	<u>3,254</u>
<b>Amounts falling due after more than one year:</b>				
Deferred tax	863	742	-	-
Other debtors	2,321	1,838	-	-
	<u>3,184</u>	<u>2,580</u>	<u>-</u>	<u>-</u>
	<u><b>70,081</b></u>	<u><b>70,413</b></u>	<u><b>3,484</b></u>	<u><b>3,254</b></u>

**18 Creditors - amounts falling due within one year**

	Group		Parent	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Financing of trade debtors	8,138	8,670	-	-
Current instalments due on loans	302	790	-	-
Bank overdrafts	2,351	1,798	-	-
Finance leases	781	1,120	-	-
Total borrowings falling due within 1 year	<u>11,572</u>	<u>12,378</u>	<u>-</u>	<u>-</u>
Trade creditors	34,315	31,533	44	133
Group undertakings	-	-	952	1,195
Undertakings in which the group has a participating interest	-	24	-	-
Bills of exchange	3,878	3,799	-	-
Corporation tax	4,805	3,501	271	-
Other taxation and social security	5,554	5,562	2	2
Other creditors	2,374	2,476	24	20
Accruals	12,349	9,768	2,008	706
Proposed dividend on ordinary shares	3,706	3,311	3,706	3,311
	<u><b>78,553</b></u>	<u><b>72,352</b></u>	<u><b>7,007</b></u>	<u><b>5,367</b></u>

# Notes to the Financial Statements

for the year ended 28 September 1996

## 19 Creditors - amounts falling due after more than one year

	Group		Parent	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loans (secured £856,000 1995 £1,300,000)	28,849	34,133	10,186	10,124
Finance leases up to 5 years	3,040	2,707	-	-
Finance leases over 5 years	135	530	-	-
Total borrowings falling due after more than one year	32,024	37,370	10,186	10,124
Other creditors	2,249	2,232	-	-
	<u>34,273</u>	<u>39,602</u>	<u>10,186</u>	<u>10,124</u>

### Borrowings - Group

	1996		1995	
	Bank overdrafts and loans	Other borrowings	Bank overdrafts and loans	Other borrowings
	£'000	£'000	£'000	£'000
In 1 year or less, or on demand	2,653	8,919	2,588	9,790
Between 1 and 2 years	213	808	313	665
Between 2 and 5 years	28,572	2,232	33,670	2,042
Over 5 years	64	135	150	530
	<u>31,502</u>	<u>12,094</u>	<u>36,721</u>	<u>13,027</u>
Total borrowings		<u>43,596</u>		<u>49,748</u>

Bank loans falling due in over 5 years are repayable by instalments at rates of interest varying between 5.5% and 8.9% per annum. Revolving banking facilities form a major part of the loans falling between two and five years.

### Borrowings - Parent

	1996	1995
	£'000	£'000
Bank loans due between 2 and 5 years	<u>10,186</u>	<u>10,124</u>

### Net Borrowings - Group

	1996	1995
	£'000	£'000
Total borrowings as above	43,596	49,748
Cash at bank and in hand	(11,489)	(10,649)
Net borrowings	<u>32,107</u>	<u>39,099</u>

**20 Provisions for liabilities and charges - Group**

	Pension deferral £'000	Other post retirement benefits £'000	Total £'000
Balance at 1 October 1995	2,632	2,185	4,817
Charged to profit and loss account	3,938	183	4,121
Payments in the year	(5,188)	-	(5,188)
Exchange differences	-	26	26
<b>Balance at 28 September 1996</b>	<b>1,382</b>	<b>2,394</b>	<b>3,776</b>

**21 Provisions for liabilities and charges - Parent**

	Pension deferral £'000
Balance at 1 October 1995	92
Charged to profit and loss account	17
Payments in the year	(49)
<b>Balance at 28 September 1996</b>	<b>60</b>

**22 Contingent liabilities**

	Group		Parent	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Guarantees of overdraft facilities and loans of group undertakings	-	-	23,724	29,769
Bills payable endorsed	-	-	2,244	1,982
Other guarantees	902	3,516	-	-
	<b>902</b>	<b>3,516</b>	<b>25,968</b>	<b>31,751</b>

# Notes to the Financial Statements

for the year ended 28 September 1996

## 23 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Opening shareholders' funds	82,303	75,539
Profit for the year	13,613	10,970
Revaluation surplus on land & buildings	2,484	-
Dividends, excluding scrip £66,000 (1995 £60,000)	(5,207)	(4,720)
Other recognised gains and losses (net)	(148)	99
New share capital subscribed (net)	302	415
Goodwill written off on acquisitions	(2,545)	-
<b>Closing shareholders' funds</b>	<b>90,802</b>	<b>82,303</b>
Equity shareholders' funds	90,302	81,803
Non-equity shareholders' funds	500	500
	<b>90,802</b>	<b>82,303</b>

## 24 Share capital

	1996 £'000	1995 £'000
<b>Authorised:</b>		
37,900,000 ordinary shares of £1 each	37,900	37,900
500,000 4.9% cumulative preference shares of £1 each	500	500
	<b>38,400</b>	<b>38,400</b>
<b>Called up, allotted and fully paid:</b>		
26,952,000 ordinary shares of £1 each	26,952	26,813
500,000 4.9% cumulative preference shares of £1 each	500	500
	<b>27,452</b>	<b>27,313</b>
	<b>1996 Number</b>	<b>1995 Number</b>
During the year the following shares were issued pursuant to the:		
Executive Share Option scheme	26,029	88,021
Savings Related Share Option schemes	99,694	44,545
Scrip dividend facility	13,473	12,497
	<b>139,196</b>	<b>145,063</b>

The Cumulative Preference Shares have a fixed cumulative dividend of 4.9% and are not redeemable. In the event of a winding up of the company they rank ahead of the Ordinary Shares and will be entitled to the amounts paid up thereon, any arrears of dividend and a premium equivalent to the difference between the nominal amount of capital paid up on such shares and the average quoted price for such shares for the preceding six months (net of any dividend arrears). Except under certain circumstances the Shares carry no right to vote at general meetings.

**25 Share premium account and reserves - Group**

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 October 1995	31,179	335	23,476
Premium on share options and scrip dividend	229	-	-
Transfer from revaluation reserve to profit and loss	-	(7)	7
Revaluation surplus on land & buildings	-	2,484	-
Scrip dividend	(66)	-	66
Unrealised exchange differences			
on overseas investments	-	-	(86)
on related borrowings	-	-	(62)
Current year retained profit	-	-	8,340
Goodwill written off (See note 28)	-	-	(2,545)
<b>At 28 September 1996</b>	<b>31,342</b>	<b>2,812</b>	<b>29,196</b>
Avon Rubber p.l.c. and subsidiaries	31,342	2,812	28,543
Associated companies	-	-	653
	<b>31,342</b>	<b>2,812</b>	<b>29,196</b>

On 28 September 1996 the cumulative goodwill written off amounted to £45,918,000 (1995 £43,373,000).

**26 Share premium account and reserves - Parent**

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 October 1995	31,179	16,439	254	12,230
Premium on share options and scrip dividend	229	-	-	-
Transfer from revaluation reserve to profit and loss	-	-	(4)	4
Revaluation surplus on land & buildings	-	-	366	-
Scrip dividend	(66)	-	-	66
Unrealised exchange differences	-	-	-	(62)
Current year retained profit	-	-	-	799
<b>At 28 September 1996</b>	<b>31,342</b>	<b>16,439</b>	<b>616</b>	<b>13,037</b>

# Notes to the Financial Statements

for the year ended 28 September 1996

## 27 Net cash flow from operating activities

	1996 £'000	1995 £'000
Operating profit	25,104	20,226
Depreciation of tangible fixed assets	13,330	11,254
Profit on sale of tangible fixed assets	(6)	(69)
Increase in stocks	(769)	(2,980)
Increase in debtors	(171)	(7,093)
Increase in creditors	5,271	7,596
Decrease in pension deferral	(1,250)	(864)
Associated company profits	(184)	(255)
Increase in provisions	209	289
Effect of foreign exchange rate changes	22	34
<b>Net cash flow from operating activities</b>	<b>41,556</b>	<b>28,138</b>

## 28 Purchase of shares in subsidiary undertakings

On 16 April 1996 the company purchased the 49% minority interest in Avon-Clevite Limited previously held by the Pullman Corporation in the U.S.A.

The cost of acquisition to Avon Rubber p.l.c. was £4.900 million. Goodwill of £2.545 million, being the excess of purchase cost over the minority interest at that date, has been written off direct to reserves.

On 2 May 1996 Avon-Clevite Limited changed its name to Avon Vibration Management Systems Limited.



**29 Analysis of changes in finance during the year**

	Share capital and share premium £'000	Loans and finance leases £'000
Balance at 1 October 1995	58,492	47,950
Shares issued for cash	302	-
Loans repaid	-	(5,835)
New finance leases	-	761
Finance leases repaid	-	(1,162)
Decrease in financing of trade debtors	-	(533)
Effect of foreign exchange rate changes	-	64
<b>Balance at 28 September 1996</b>	<b>58,794</b>	<b>41,245</b>

**30 Analysis of cash and cash equivalents as shown in the balance sheet**

	1996 £'000	1995 £'000	Change in year £'000
Cash in hand and at bank	11,489	10,649	840
Overdrafts	(2,351)	(1,798)	(553)
	<b>9,138</b>	<b>8,851</b>	<b>287</b>

**31 Analysis of changes in cash and cash equivalents during the year**

	£'000
Balance at 1 October 1995	8,851
Net cash inflow before exchange adjustments	383
Exchange adjustments:	
Use of average rate	(140)
Opening cash balances	44
<b>Balance at 28 September 1996</b>	<b>9,138</b>

# Group Undertakings and Participating Interests

at 28 September 1996

	Group Interest	Country in which incorporated
<b>Held by Parent Company</b>		
Avon Polymer Products Limited		
Avon Rubber Overseas Limited		
Avon Rubber Pension Trust Limited		
<b>Held by Group Undertakings</b>		
Avon (Suisse) SA		Switzerland
Avon Caoutchouc SA		France
Avon Industrial Polymers (Deutschland) GmbH		Germany
Avon Injected Rubber Products Corporation		USA
Avon Polimeros L.D.A.		Portugal
Avon Polymères France SA		France
Avon Reifen (Deutschland) GmbH		Germany
Avon Rubber & Plastics Inc.		USA
Avon Rubber Holland BV		Netherlands
Avon-Rubena a.s.	65%	Czech Republic
Avon Spencer Moulton		France
Avon Technical Services Limited		
Avon Tyres Limited		
Avon Vibration Management Systems Limited (formerly Avon-Clevite Limited)		
Avon-Ames Limited	51%	
Avon Pneumatiques SARL		France
Bell Avon Inc.	80%	USA
Cadillac Rubber and Plastics Inc.		USA
Cadillac Rubber and Plastics de Mexico SA de CV		Mexico
Cadimex SA de CV		Mexico
CQC PLC		
CT Rubber and Plastics Inc.	60%	USA
Nova Insurance Limited		Guernsey
Pacer Tool and Plastics Inc.		USA
<b>Undertakings in which the Group has a participating interest :</b>		
Ames-Avon Industries	49%	USA
Avon Marine Limited	10%	
Gold Seal-Avon Polymers PVT	50%	India

Shareholdings are ordinary shares and, except where shown, undertakings are wholly owned. Ames-Avon Industries and Gold Seal-Avon Polymers PVT are associated companies within the meaning of Statement of Standard Accounting Practice Number 1.

Except where otherwise shown, all companies are incorporated in Great Britain and operate primarily in their country of incorporation.

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

The 80% shown against Bell Avon Inc. represents the group's interest in the share capital of that company. The group's interest in the accumulated reserves of Bell Avon Inc. is 50%.

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

# Shareholder Information

## Shareholders

**On 4 December 1996 the company had the following number of shareholders:**

£1 ordinary shares	1,722
4.9% cumulative preference shares of £1 each	38

Of the ordinary shareholders, 1,015 (58.9%) had holdings of 1,000 shares or less.

## Financial Calendar

Interim figures 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 January.

## Corporate Information

<b>Registered Office</b>	Bradford-on-Avon, Wiltshire Registered in England and Wales No. 32965
<b>Company Secretary</b>	C L Martin
<b>Auditors</b>	Coopers & Lybrand
<b>Registrars &amp; Transfer Office</b>	KPMG, Festival Way Stoke on Trent Staffordshire ST1 5TA
<b>Brokers</b>	Cazenove & Co
<b>Solicitors</b>	Linklaters & Paines
<b>Principal Bankers</b>	Barclays Bank plc Comerica Inc. Midland Bank plc Societe Generale
<b>Corporate Financial Advisors</b>	Baring Brothers International Limited

# Five Year Record

	1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000
Turnover	347,471	306,467	280,247	265,685	232,153
Profit on trading	38,250	31,225	26,336	24,417	21,196
Share of profits of associated companies	184	255	331	373	449
Depreciation	38,434 (13,330)	31,480 (11,254)	26,667 (10,918)	24,790 (9,833)	21,645 (8,768)
Operating profit	25,104	20,226	15,749	14,957	12,877
Amounts written off investments (Loss)/Profit on sale of interest in subsidiary undertakings	- -	- -	- (4,074)	- -	(1,300) 1,508
Profit before interest	25,104	20,226	11,675	14,957	13,085
Interest	(3,595)	(4,035)	(3,393)	(3,943)	(3,725)
Profit before taxation	21,509	16,191	8,282	11,014	9,360
Taxation	(7,096)	(5,230)	(4,039)	(3,563)	(2,563)
Profit after taxation	14,413	10,961	4,243	7,451	6,797
Minority interests	(800)	9	(615)	(539)	(630)
Profit attributable to Avon shareholders	13,613	10,970	3,628	6,912	6,167
Preference dividends	(25)	(25)	(25)	(25)	(25)
Ordinary dividends	(5,248)	(4,744)	(4,396)	(4,109)	(3,473)
Retained profit	8,340	6,201	(793)	2,778	2,669
Fixed assets and investments	93,391	88,251	78,105	73,590	64,344
Working capital	37,424	44,011	44,573	43,915	47,147
Provisions	(3,776)	(4,817)	(5,497)	(4,502)	(5,794)
Assets employed	127,039	127,445	117,181	113,003	105,697
Financed by:					
Ordinary share capital	26,952	26,813	26,667	26,531	21,052
Reserves attributable to Avon shareholders	63,350	54,990	48,372	52,742	31,637
Preference share capital	500	500	500	500	500
Minority shareholders' interests	4,130	6,043	6,489	11,497	11,346
Shareholders' capital employed	94,932	88,346	82,028	91,270	64,535
Net borrowings	32,107	39,099	35,153	21,733	41,162
Capital employed	127,039	127,445	117,181	113,003	105,697
Earnings per share	50.6p	40.9p	13.6p	30.0p	28.5p*
Dividends per share	19.5p	17.7p	16.5p	16.5p	16.5p

\* Adjusted for rights issue.

# 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 Wednesday 22nd January 1997 at 2.30 pm for the following purposes:

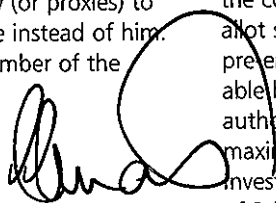
1. To receive and consider the report of the directors and the financial statements for the year ended 28th September 1996 (Resolution No. 1).
2. To declare a dividend on the ordinary shares (Resolution No.2 ).
3. To re-elect a director:  
  
Mr T.C. Bonner retires by rotation and, being eligible, offers himself for re-election (Resolution No. 3).
4. To re-appoint Coopers & Lybrand as auditors (Resolution No. 4).
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. 5).

"That the authority and power conferred on the directors by Article 11 (b) of the company's Articles of Association be renewed for the period ending on the date of the annual general meeting in 1998 or on 22 April 1998, whichever is the earlier, and for such period:

- (a) the section 80 amount shall be £8,984,152 and
- (b) the section 89 amount shall be £1,347,585."

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  
Bradford-on-Avon  
9 December 1996.



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 of authority) must be deposited at the company's registrar, KPMG Registrars, Festival Way, Stoke-on-Trent, Staffordshire ST1 5TA, 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 the conclusion of the annual general meeting and will also be available for inspection at the place of the meeting from 15 minutes before it is held until its conclusion:

- (i) the register of directors' interests showing any transactions of directors and their family interests in the share capital of the company; 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.5

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. Shareholders may recall that this authority has previously been given for the maximum amounts 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 1996 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 5 to renew the authority to allot shares up to an aggregate nominal amount of £8,984,152 (the "section 80 amount"), being an amount equal to 33 1/3% 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 £1,347,585 (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 employees and directors exercising their rights under the Avon Rubber p.l.c. Savings Related Share Option Scheme 1981, the Avon Rubber p.l.c. Sharesave Option Scheme 1992 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 33 1/3rd% of the existing issued ordinary share capital; this year 33 1/3rd% 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 5 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 1998 or 22 April 1998 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.

**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 registrars, KPMG at Festival Way, Stoke-on-Trent, Staffordshire ST1 5TA by 27 January 1997 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 6 January 1997.