Avon Rubber p.l.c.

N° 32965

DIRECTORS' REPORT
for the year ended 30 September 2002

1 The directors submit the one hundred and twelfth annual report and audited financial statements of the Company and Group for the year ended 30 September 2002.

Principal activities and business review
The principal activities of the Group are:

- Design and manufacture of components for the automotive industry
- Design and manufacture of other polymer based products

The business review, including commentary on future developments, is covered on pages 2 to 15.

2 Results and dividend
The group profit for the year before taxation and exceptional items amounts to £7,019,000 (2001: £3,413,000). The Group loss for the year after taxation and minority interests amounts to £1,571,000 (2001: £8,449,000). An interim dividend of 3.5p per share (2001: 3.5p) was paid on 28 June 2002. The directors recommend a final dividend of 4.0p per share (2001: 3.5p) making a total of 7.5p per share for the year to 30 September 2002 (2001: 7.0p). Full details are set out in the profit and loss account on page 27.
The total distribution of dividends for the year to 30 September 2002 is £2,031,000 (2001: £1,961,000).

3 Directors
The names of the Directors as at 16 December 2002 are set out on page 16. None of the Directors have 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 24.

Mr. B. Duckworth and Mr. D. Bartels retire under Article 84 and, being eligible, offer themselves for re-election.

Mr. T.C. Bonner, Mr. S.J. Stone and Mr. T.K.P. Stead retire by rotation and, being eligible, offer themselves for re-election.

Mr. D. Bartels has a service contract with the Company requiring one years' notice of termination.

Mr. S.J. Stone and Mr. T.K.P. Stead have service contracts with the Company requiring two years' notice of termination, subject to retirement at age 60.

4 Substantial shareholdings
At 29 November 2002, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Schroder Investment Management Limited	15.79%
Deutsche Asset Management Limited	5.94%
Henderson Global Investors	5.39%
M&G Investment Management Limited	4.60%
Jupiter Asset Management Limited	3.68%

5 Acquisition of own shares
The Company funded the purchase of 750,000 of its own ordinary shares of £1 each through an Employee Share Ownership Trust for a consideration of £1,120,000 to enable it to meet awards made under the Performance Share Plan, subject to the performance criteria being met. This represents 2.7% of the current issued share capital.

6 Political and charitable contributions
No political contributions were made during the year. Contributions for charitable purposes amounted to £20,000 (2001: £58,000).

7 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.

For the year ended 30 September 2002, the number of days' purchases outstanding at the end of the financial year for the Group was 54 days (2001: 48 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors. On the same basis the number of days' purchases outstanding for the parent company was 55 days (2001: 59 days).

8 Research and development
The Group continues to strengthen its technology base in order to meet the growing challenges from its world-wide customers and to take full advantage from developments in plastics, thermoplastic elastomers and conventional elastomers. The Materials Development Centre in the UK and Product Development Centres in America and Europe provide strong scientific support to our global manufacturing operations and maintain close links with the Group's suppliers and customers. Collaborative work with Universities and other research organisations has led to significant advances in material performance and in our understanding of how our products interface with their working environment.

DIRECTORS' REPORT continued
for the year ended 30 September 2002

9 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 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.

In its UK operations the Company has been recognised as an Investor in People (IIP) and will be using the IIP framework in its businesses around the world.

10 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 that 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. Full and fair consideration is given to disabled applicants for employment and existing employees who become disabled have the opportunity to retrain and continue in employment.

11 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 are designed to 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.

12 Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors will be proposed at the annual general meeting.

By order of the Board

C.L. Martin, Secretary
Bradford on Avon, Wiltshire
16 December 2002

CORPORATE GOVERNANCE
Statement of compliance with the Combined Code

The Company believes in high standards of corporate governance and the Board is accountable to shareholders for the Group's performance in this area. This statement describes how the Group is applying the relevant principles of governance, as set out in the Combined Code of the Principles of Good Governance and Code of Best Practice ("the Combined Code") annexed to the Listing Rules of the Financial Services Authority. For this purpose this statement will address separately the four main subject areas of the Combined Code namely the Board, Directors' remuneration, Relations with shareholders and Accountability and audit.

The Company has complied throughout the year with the provisions of the Combined Code. Additionally, the Board confirms that it has been applying the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull Report").

1 The Board

The Avon Board currently comprises a Non-Executive Chairman, three other independent Non-Executive Directors, the Chief Executive and, since the retirement of Mr. R.A. Hunt in November 2002, four other Executive Directors. Biographies of the directors appear on page 16 and these illustrate the range of business, financial and global experience which the Board is able to call upon. The specific intention of the Board is that its membership should be well balanced between executives and non-executives and have the appropriate skills and experience.

The Board is satisfied that all its Non-Executive members are independent. One of the roles of the Non-Executive Directors is to undertake detailed examination and discussion of strategies proposed by the Executive Directors, so as to ensure that decisions are in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders. The Non-Executive Directors fully review the Group's operational performance and the Board as a whole has, with a view to reinforcing its control, reserved a list of important powers solely to itself; this list is regularly reviewed.

In order to achieve the foregoing objectives, all directors have full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. Procedures are in place, which have been agreed by the Board, for directors, where necessary in the furtherance of their duties, to take independent professional advice at the Company's expense.

All directors, whether Executive or Non-Executive, are subject to re-election by shareholders at the first annual general meeting after their appointment and are obliged to retire and, if appropriate, seek re-election by the shareholders at least every three years. Additionally, the Non-Executive Directors are appointed by the Board, for specific terms, and reappointment is not automatic.

Of particular importance in a governance context are the three committees of the Board, namely the Remuneration Committee, the Nominations Committee and the Audit Committee. These committees comprise, solely, all the Non-Executive Direcors; the Audit and Nominations Committees are chaired by Mr. T.C. Bonner and the Remuneration Committee is chaired by Mr. G.T.E. Priestley.

The Remuneration Committee's principal responsibilities are to make recommendations to the Board on remuneration policy and to determine remuneration packages and other terms and conditions of employment, including appropriate performance related benefits, for Executive Directors and other senior executives. The Chief Executive attends meetings of the Committee by invitation, but is absent when issues relating to himself are discussed.

The Nominations Committee, to which the Chief Executive is normally invited, reviews the Board structure, identifies candidates to fill vacancies on the Board and addresses board level succession planning. In identifying potential candidates for positions as Non-Executive Directors, the Committee has full regard to the principles of the Combined Code regarding the independence of Non-Executive Directors.

The Audit Committee meets at least twice a year. The meetings are also attended by representatives of the Group's internal and external auditors and such of the Executive Directors as are appropriate to the items under discussion. At all meetings time is allowed for the Audit Committee to discuss issues with the external auditors with no Executive Directors present. As well as reviewing draft preliminary and interim statements, the Committee considers reports prepared by the internal and exernal auditors and monitors all services provided by, and fees payable to, the external auditors to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained. As part of its work, and in line with its terms of reference, the Committee particularly considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control.

CORPORATE GOVERNANCE continued
Statement of compliance with the Combined Code

2 Directors' remuneration

Remuneration of the Company's Non-Executive Directors is determined by the Board, in the light of market research and advice from independent external sources. The Non-Executive Directors do not vote on any remuneration issue affecting themselves.

The Company's policy on Executive Directors' remuneration, as set out in the two following paragraphs, has been prepared by the Remuneration Committee and approved by the full Board of Directors.

The Remuneration Committee seeks to establish an overall package of salary, incentives, pension and other benefits which will be competitive when compared with other manufacturing companies of a similar size and global spread.

The Remuneration package takes into account the linkage betwen pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical factor in the setting of incentives, whether in the short or longer term.

The Remuneration Committee has considered the conclusions of the Hampel Committee with regard to the notice period given to Executive Directors for termination of their service contracts. Currently, the notice period for Executive Directors stands at two years, except for Mr. L.J. Richards whose notice period stands at one year (or two years in the event of the Company being taken over) and Mr. D. Bartels whose notice period stands at one year. The Committee believes that this position represents an appropriate response to the conclusions of the Hampel Committee and enables the Company to be competitive in attracting directors of the calibre necessary to manage a diverse multi-national business. The Committee strongly endorses the principle of mitigation of loss on early termination and takes care to ensure that poor performance is not rewarded.

Executive Directors' remuneration comprises four elements which are described below.

Salary

In setting salaries consideration is given to the Executive Directors' experience and responsibility. Comparisons with other companies of a similar size and global spread, as well as consideration of the rates of salary increases within the Company as a whole, are taken into account when salaries are set or increases are given. Executive Director salaries are reviewed annually.

Bonus

Bonus is based on annual targets set by the Remuneration Committee linked to the Company's financial performance. The targets are set before the start of the financial year and are designed to be stretching. Two elements are normally used, profit before taxation and cash flow performance. Both these elements link directly to enhanced shareholder value. Bonus payments are not pensionable.

Pension and other benefits

Executive Directors, other than Mr. L.J. Richards and Mr. D. Bartels, are members of the Senior Executive Section of the Avon Rubber Retirement and Death Benefit Plan, a contributory defined benefit scheme based on length of service and earnings. The levels of contribution from the scheme members and the Company are assessed annually. For the year ended 30 September 2002 the contribution rates were 5.5% from the members throughout the year. Company contributions, excluding National Insurance rebates were 0.5% for the period to 28 February 2002 and 7.5% between 1 March and 30 September 2002. Non UK-based Executive Directors (Mr. L.J. Richards and Mr. D. Bartels) have payments made to defined contribution pension schemes on their behalf. Executive Directors are provided with private health insurance for themselves and applicable members of their immediate families. With the exception of Mr. L.J. Richards and Mr. D. Bartels, they are also able to participate in the Company's Sharesave Option Scheme which is open to all UK employees with three months continuous service.

Long-term Incentive Plan/Performance Share Plan

From 1997 to 2000, Directors and other senior employees participated in a Long-term Incentive Plan, under which 50% of any bonus was used by participants to buy company shares ("contributed shares"), on the basis that matching shares (up to a maximum of three times the number of contributed shares) would be awarded after three years, depending on the Company's total shareholder return performance, over that period, compared with a comparator group.

At the 2002 annual general meeting shareholders approved a new Performance Share Plan, which has superseded the Long-term Incentive Plan. The Long-term Incentive Plan only remains effective in respect of contributed shares purchased in 2000.

Under the Performance Share Plan Executive Directors and a limited number of other senior employees are awarded options or conditional awards over Company shares and the extent to which those options or conditional awards may be exercised depends on the Company's performance in total shareholder return terms, over a three year period, compared with a comparator group. A full explanation of the Performance Share Plan was given in the notice of meeting of the 2002 annual general meeting.

Details of the directors' participation in the Long-term Incentive Plan, the Performance Share Plan, and in Share Option Schemes, together with details of their emoluments, pensions and interests in the Company's shares, are set out on pages 22 to 24.

3 Relations with shareholders

We regard communications with shareholders as extremely important. In terms of published materials the Company issues detailed annual reports and accounts and, at the half year, an interim report. Dialogue takes place regularly with institutional shareholders and general presentations are given following the preliminary and interim results. Shareholders have the opportunity to ask questions at the annual general meeting and also have the opportunity to leave written questions for the responses of the directors. Directors meet informally with shareholders after the annual general meeting and respond throughout the year to correspondence from individual shareholders on a wide range of issues.

At the annual general meeting on 23 January 2003, the Board will be following the recommendations in the Combined Code regarding the constructive use of annual general meetings; in particular, the agenda will again include a presentation by the Chief Executive on aspects of the Group's business.

4 Accountability and audit

The Combined Code has introduced a requirement that directors review the effectiveness of the Group's system of internal controls. The scope of this review covers all controls including financial, operational and compliance controls as well as risk management. As indicated earlier, the Board has put in place the procedures necessary to implement the guidance contained within the Turnbull Report.

The directors acknowledge their responsibility for the Group's system of internal control. The Board keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the directors have reviewed their effectiveness.

- 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.

- An internal audit function is in place with staff covering the Group's worldwide operations from bases in the U.K. and the U.S.A. The function adopts a risk based approach to the review of internal controls throughout the Group. Key areas of risk are covered on a pre-determined cycle agreed with the Audit Committee. Recommendations and action plans are provided, together with key findings, to senior management. Summary reports are presented to and discussed with the Audit Committee.

- Procedures are in place to identify any major business risks and to evaluate their potential impact on the Group. The Board carries out an annual review of the key risks facing the Group. In the year under review, the risk assessments carried out both at business level and at main board level have been reviewed and strengthened as part of the Board's ongoing response to the guidance contained within the Turnbull Report.

- Additionally, some years ago, the Board created a Risk Management Steering Group with the objectives of enhancing the risk management culture within the Group, of assisting businesses to identify and control their risks and to make policy proposals to the Board in this area. The Board considers that these objectives have been broadly achieved and accordingly the remit of the Risk Management Steering Group has been enhanced to cover what has become known as "Enterprise Risk Management", a process in which significant business risks identified either by the Board or by the business units, in addition to the traditional insurable risks, are analysed and then sought to be eliminated, minimised, controlled or insured against, in a structured way.

- There is a clearly defined delegation of authority from the Board to the operating companies, with appropriate reporting lines from business managers to individual Executive Directors.

- There are procedures for the authorisation of capital expenditure and investment, together with procedures for post-completion appraisal.

- Internal 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 Board has issued a Policy and Code on Business Conduct which reinforces the importance of the internal control framework within the Group. The Policy and Code is reviewed annually.

- Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee of the Board of Directors meets at least twice a year with management and external and internal auditors to review specific accounting, reporting and financial control matters. This Committee also reviews the interim, preliminary and annual statements.

Going concern

After making appropriate 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 operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE continued
Statement of compliance with the Combined Code

Executive share incentive scheme 1996 ("the 1996 Scheme")
At the 1996 annual general meeting shareholders approved the 1996 Scheme, otherwise known as the Long-term Incentive Plan, a description of which was contained in the 1995 report and accounts. Briefly, the 1996 Scheme provided that Executive Directors would take a percentage of any annual bonus in the form of shares on the basis that three years later a number of matching shares (up to a maximum of three times the number of shares taken as part of any annual bonus) may be awarded, dependent on the Group's performance in terms of total shareholder return as compared with a comparator group of companies. The 1996 Scheme has been discontinued as a result of the introduction of the Performance Share Plan approved by shareholders at the 2002 annual general meeting.

The maximum numbers of shares comprised in the conditional awards to directors and senior employees, under the 1996 Scheme, are as follows:

	Total grants outstanding	Granted 2000
S.J. Willcox	**2,724**	2,724
S.J. Stone	**1,413**	1,413
R.A. Hunt	**1,233**	1,233
T.K.P. Stead	**1,149**	1,149
L.J. Richards	**327**	327
Other senior employees	**2,439**	2,439

The conditional awards of matching shares made in 1997, 1998 and 1999, the first three years of the scheme's operation, have now lapsed, following the Group's performance in terms of total shareholder return, as compared with the comparator group.
In accordance with UITF 17 (revised 2000), the fair value of the shares at the date the conditional award was granted is charged to the profit and loss account over the performance period, subject to annual revision for the number of matching shares that are expected to be eventually issued.

Performance Share Plan 2002 ("the 2002 Scheme")
At the 2002 annual general meeting, shareholders approved the 2002 Scheme, a full description of which was contained in the Notice of that meeting. Briefly, under the 2002 Scheme, options, or conditional awards of shares, may be granted to employees selected by the Remuneration Committee. The maximum value of a grant made under the 2002 Scheme to an employee in any year will be 100% of his basic salary for that year. Currently only the Chief Executive of the Company is eligible to receive a grant of 100% of his annual base salary. The vesting of options or awards will be dependent upon the achievement of performance conditions (measured over a 3 year period) and the Remuneration Committee being satisfied that the financial performance of the company justifies the vesting of options or awards.

For grants of options or conditional awards made during the first 2 years of operation of the 2002 Scheme, the performance condition has been based on the Company's total shareholder return ("TSR") relative to the TSR of a comparator group, comprising the FTSE small and medium capitalised companies (excluding investment trusts).

A list of the options granted, prior to 1 December 2002, to Executive Directors and senior employees, following approval of the 2002 Scheme by shareholders, is set out below:-

	Total option awards outstanding	Granted 2002
D. Bartels	**114,900**	114,900
L.J. Richards	**101,185**	101,185
T.K.P. Stead	**98,894**	98,894
S.J. Stone	**114,572**	114,572
S.J. Willcox	**219,597**	219,597
Other senior employees	**225,224**	225,224

Pensions
All the Executive Directors are current members of the Group's Senior Executive Section of the Avon Rubber Retirement and Death Benefit Plan, with the exceptions of Mr. L.J. Richards and Mr D. Bartels, for whom contributions are paid into defined contribution pension schemes. 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.

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

Directors' emoluments

	Basic salary & fees £'000	Other benefits £'000	Annual bonus £'000	Total emoluments excluding pensions 2002 £'000	2001 £'000	Pension * contributions 2002 £'000	2001 £'000	Total emoluments including pensions 2002 £'000	2001 £'000
Directors holding office throughout 2001 and 2002									
S.J. Willcox (highest paid director)	218	17	55	**290**	238	–	–	**290**	238
R.A. Hunt	119	43	24	**186**	187	–	24	**186**	211
T.K.P. Stead	127	35	25	**187**	165	–	8	**187**	173
S.J. Stone	143	17	36	**196**	159	–	–	**196**	159
T.C. Bonner CBE (Chairman from 8.2.01)	50	–	–	**50**	36	–	–	**50**	36
G.T.E. Priestley (Deputy Chairman from 8.2.01)	25	–	–	**25**	20	–	–	**25**	20
Total 2002	682	112	140	**934**	–	–	–	**934**	–
Total 2001	662	143	–	–	805	–	32	–	837
Appointments & resignations									
C.P. King CBE (Chairman until 8.2.01)	–	–	–	–	19	–	–		19
N.A.P. Carson (Non-Executive) (from 15.5.01)	25	–	–	**25**	8	–	–	**25**	8
L.J.Richards (from 4.9.01)	125	9	27	**161**	11	**58**	–	**219**	11
D. Bartels (from 14.5.02)	55	–	12	**67**	–	**7**	–	**74**	–
B.Duckworth (Non-Executive) (from 14.5.02)	10	–	–	**10**	–	–	–	**10**	–
Total 2002	897	121	179	**1,197**	–	**65**	–	**1,262**	–
Total 2001	699	144	–	–	843	–	32	–	875

* Pension contributions represent the company's contribution to defined contribution schemes.

Mr. L.J. Richards is paid for his services to the Group through Avon Rubber & Plastics Inc., a company registered in the United States of America.

Mr D. Bartels is paid through Avon Automotive Deutschland GmbH, the Group's German subsidiary.

No director waived emoluments in respect of the year ended 30 September 2002 (2001: Nil).

Executive Directors' pensions

The Stock Exchange Listing Rules require the disclosure of certain additional information relating to the pensions of Executive Directors under defined benefit schemes. This information is set out below.

	S.J. Willcox	S.J. Stone	R.A. Hunt	T.K.P. Stead
Accrued entitlement as at 30 September 2002	£125,110p.a.	£82,135p.a.	£27,017p.a.	£13,107p.a.
Increase in accrued entitlement over the period in excess of the increase awarded to deferred pensioners	£5,184p.a.	£2,615p.a.	£3,820p.a.	£3,436p.a.
Contributions paid by each director over the period	£12,017	£7,837	£5,296	£5,296
Increase in the transfer value over the year (net of the director's contributions)	£21,880	£10,652	£38,669	£29,092

The accrued entitlment shown is the amount that would be paid each year at normal retirement age, based on service to the end of the current year.

The accrued lump sum, under the defined benefit scheme, for the highest paid director at 30 September 2002 was £77,415 (2001: £66,100).

CORPORATE GOVERNANCE continued
Statement of compliance with the Combined Code

Directors' interests

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

	At the end of the year	At the beginning of the year or date of appointment (if later)
T.C. Bonner CBE	7,500	4,000
D. Bartels	–	–
N.A.P. Carson	2,000	–
B. Duckworth	6,000	1,000
R.A. Hunt	5,223	5,223
G.T.E. Priestley	12,000	12,000
L.J. Richards	109	109
T.K.P. Stead	8,383	2,383
S.J. Stone	14,005	11,049
S.J. Willcox	46,108	28,418

Additionally, the Company operates a Qualifying Employee Share Ownership Trust ("Quest") which is used to deliver shares to employees exercising their options under the Savings Related Share Option Scheme. By virtue of their participation, or potential participation, in that Scheme, Mr. S.J. Willcox, Mr. S.J. Stone, Mr. T.K.P. Stead and Mr. R.A. Hunt had an interest in the shares held by the Quest at 30 September 2002. At that date 136,578 shares were held in the Quest (2001: 136,578 shares).

There were no movements in directors' shareholdings between the end of the financial year and 16 December 2002.

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

Executive share option scheme:

	Number of options at 30/09/01	Granted during the year	Exercised during the year	Number of options at 30/09/02	Exercise price (£)	Exercisable at any time up to
S.J. Willcox	24,000	–	–	**24,000**	5.81	Feb 2004
	60,000	–	–	**60,000**	5.10	Jun 2005
S.J. Stone	15,000	–	–	**15,000**	5.81	Feb 2004
	24,000	–	–	**24,000**	5.10	Jun 2005
R.A. Hunt	15,000	–	–	**15,000**	5.10	Nov 2003

Sharesave option schemes:

	Number of options at 30/09/01	Granted during the year	Lapsed during the year	Number of options at 30/09/02	Exercise price (£)	Exercisable during
S.J. Willcox	841	–	(841)	–	–	–
	3,253	–	(3,253)	–	–	–
	–	8,474	–	**8,474**	1.00	2005
S.J. Stone	1,322	–	–	**1,322**	5.79	2002
	1,060	–	–	**1,060**	5.01	2003
	–	5,092	–	**5,092**	1.00	2005
R.A. Hunt	1,062	–	–	**1,062**	3.67	2002
	1,203	–	–	**1,203**	5.79	2002
	1,683	–	–	**1,683**	3.80	2003
	234	–	–	**234**	5.01	2003
T.K.P. Stead	9,811	–	(9,811)	–	–	–
	–	8,474	–	**8,474**	1.00	2005

No directors' options were exercised during the year. The options exercisable during 2002 lapsed on 1 October 2002.

As at 30 September 2002, other employees held options over 1,110,798 ordinary shares, exercisable between 2002 and 2009, at option prices ranging from £1.00 to £5.79.

All options are over ordinary shares of £1 each.

As at 30 September 2002, the market price of Avon Rubber p.l.c. shares was £1.46 (2001: £0.93). During the year the highest and lowest market prices were £1.94 and £0.78 respectively.

Avon Rubber p.l.c.

N° 32965

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the year ended 30 September 2002

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 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.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and 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 Company and 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
16 December 2002.

Avon Rubber p.l.c.

N° 32965

INDEPENDENT AUDITORS' REPORT
for the year ended 30 September 2002

Independent auditors' report to the members of Avon Rubber p.l.c.
We have audited the financial statements on pages 27 to 56 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 32 to 33.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 25.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for and only for the Company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

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

We review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Bristol
16 December 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2002

		2002			2001 (restated see note 28)		
	Note	Before exceptional items £'000	Exceptional items (notes 5 & 6) £'000	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Turnover							
Continuing operations	2	250,509	–	250,509	262,031	–	262,031
Discontinued operations		–	–	–	16,010	–	16,010
Total turnover		250,509	–	250,509	278,041	–	278,041
Cost of sales		(214,523)	–	(214,523)	(243,781)	(952)	(244,733)
Gross profit		35,986	–	35,986	34,260	(952)	33,308
Net operating expenses (including £626,000 (2001: £617,000) goodwill amortisation)	3	(25,565)	(6,701)	(32,266)	(25,645)	(2,604)	(28,249)
Operating profit							
Continuing operations		10,421	(6,701)	3,720	10,496	(3,556)	6,940
Discontinued operations		–	–	–	(1,881)	–	(1,881)
Group operating profit		10,421	(6,701)	3,720	8,615	(3,556)	5,059
Share of profits of joint venture and associate	4	21	–	21	119	–	119
Total operating profit including joint venture and associate	2	10,442	(6,701)	3,741	8,734	(3,556)	5,178
Loss on disposal of fixed assets		–	(1,205)	(1,205)	–	–	–
Loss on disposal of operations		–	(568)	(568)	–	(8,916)	(8,916)
Profit/(loss) on ordinary activities before interest		10,442	(8,474)	1,968	8,734	(12,472)	(3,738)
Interest receivable	7	609	–	609	2,516	–	2,516
Interest payable	7	(4,032)	–	(4,032)	(7,837)	–	(7,837)
(Loss)/profit on ordinary activities before taxation	8	7,019	(8,474)	(1,455)	3,413	(12,472)	(9,059)
Taxation	9	(2,810)	2,500	(310)	(1,544)	2,184	640
(Loss)/profit on ordinary activities after taxation		4,209	(5,974)	(1,765)	1,869	(10,288)	(8,419)
Minority interests		194	–	194	(30)	–	(30)
(Loss)/profit for the year		4,403	(5,974)	(1,571)	1,839	(10,288)	(8,449)
Dividends (including non-equity interests)	10	(2,031)	–	(2,031)	(1,961)	–	(1,961)
Retained loss for the year	28	2,372	(5,974)	(3,602)	(122)	(10,288)	(10,410)
(Loss)/earnings per ordinary share	11						
Basic				(5.7)p			(30.6)p
Before exceptional items		16.0p			6.6p		
Before goodwill amortisation and exceptional items		18.3p			8.8p		
Diluted				(5.7)p			(30.6)p

There is no material difference between the loss as stated above and that calculated on an historical cost basis

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CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 2002

	Note	2002 £'000	2001 (restated see note 28) £'000
Loss for the year		**(1,571)**	(8,449)
Premium paid on redemption of preference shares		**–**	(84)
Net exchange differences on overseas investments	28	**768**	1,143
Total losses for the year		**(803)**	(7,390)
Prior year adjustment (see note 28)		**(2,688)**	
Total losses since last annual report		**(3,491)**	

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 30 September 2002

	2002 £'000	2001 (restated see note 28) £'000
Opening shareholders' funds as previously stated	**81,605**	87,963
Prior year adjustment	**(2,688)**	(2,410)
Opening shareholders' funds restated	**78,917**	85,553
Loss for the year	**(1,571)**	(8,449)
Dividends	**(2,031)**	(1,961)
Net exchange difference on overseas investments	**768**	1,143
Redemption of preference shares	**–**	(584)
Goodwill resurrected on disposal of operations	**–**	3,215
Closing shareholders' funds	**76,083**	78,917

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CONSOLIDATED BALANCE SHEET
at 30 September 2002

	Note	2002 £'000	2002 £'000	2001 (restated see note 28) £'000	2001 (restated see note 28) £'000
Fixed assets					
Intangible assets	14		**13,107**		13,553
Tangible assets	15		**93,306**		100,865
Investments	17		**914**		647
			107,327		115,065
Current assets					
Stocks	20	**19,210**		22,534	
Debtors – amounts falling due within one year	21	**42,200**		47,246	
Debtors – amounts falling due after more than one year	21	**5,378**		5,604	
Investments		**3,536**		–	
Cash at bank and in hand		**8,042**		13,586	
		78,366		88,970	
Creditors					
Amounts falling due within one year	22	**70,775**		66,189	
Net current assets			**7,591**		22,781
Total assets less current liabilities			**114,918**		137,846
Creditors					
Amounts falling due after more than one year	23	**30,910**		51,029	
Provisions for liabilities and charges	25	**6,458**		6,179	
			37,368		57,208
Net assets			**77,550**		80,638
Capital and reserves					
Share capital	27		**27,824**		27,824
Share premium account	28		**34,070**		34,070
Revaluation reserve	28		**2,536**		2,578
Capital redemption reserve	28		**500**		500
Profit and loss account	28		**11,153**		13,945
Equity shareholders' funds			**76,083**		78,917
Minority interests (equity interests)			**1,467**		1,721
			77,550		80,638

These financial statements were approved by the board of directors on 16 December 2002 and were signed on its behalf by:

T.C. Bonner CBE
S.J. Willcox

T.C. Bonner

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PARENT COMPANY BALANCE SHEET
at 30 September 2002

	Note	£'000	2002 £'000	£'000	2001 £'000
Fixed assets					
Tangible assets	16		**27,210**		27,903
Investments	18		**73,572**		82,585
			100,782		110,488
Current assets					
Debtors	21	**36,502**		9,361	
Cash at bank and in hand		**28,889**		20,896	
		65,391		30,257	
Creditors					
Amounts falling due within one year	22	**44,051**		25,698	
Net current assets			**21,340**		4,559
Total assets less current liabilities			**122,122**		115,047
Creditors					
Amounts falling due after more than one year	23		**15,544**		–
Net assets			**106,578**		115,047
Capital and reserves					
Share capital	27		**27,824**		27,824
Share premium account	29		**34,070**		34,070
Merger reserve	29		**16,439**		16,439
Revaluation reserve	29		**499**		541
Capital redemption reserve	29		**500**		500
Profit and loss account	29		**27,246**		35,673
Equity shareholders' funds			**106,578**		115,047

These financial statements were approved by the board of directors on 16 December 2002 and were signed on its behalf by:

T.C. Bonner CBE T.C. Bonner
S.J. Willcox

Avon Rubber p.l.c.

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CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2002

	Note	£'000	2002 £'000	£'000	2001 £'000
Net cash inflow from operating activities	30		**23,263**		28,214
Returns on investments and servicing of finance					
Interest received		**596**		3,020	
Interest paid		**(3,959)**		(7,907)	
Interest received/(paid) on finance leases		**4**		(53)	
Associated company dividends		**-**		338	
Preference dividends paid		**-**		(23)	
Dividends paid to minority shareholders		**-**		(57)	
			(3,359)		(4,682)
Taxation					
Corporation tax (paid)/received			**(1,726)**		1,281
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(5,149)**		(6,279)	
Sale of tangible fixed assets		**1,003**		109	
Capitalised development expenditure		**(625)**		(990)	
Purchase of fixed asset investments		**(1,120)**		(98)	
			(5,891)		(7,258)
Acquisitions and disposals					
Sale of operations			**904**		2,002
Equity dividends paid			**(1,923)**		(5,731)
Net cash inflow before management of liquid resources and financing			**11,268**		13,826
Management of liquid resources					
Increase in investments treated as liquid resources			**(3,536)**		-
Financing					
Redemption of preference shares		**-**		(584)	
Repayment of loans		**(41,119)**		(24,563)	
New loans		**32,971**		21,283	
Principal payments under finance leases		**(298)**		(465)	
			(8,446)		(4,329)
(Decrease)/increase in cash in the period			**(714)**		9,497

	Note		2002 £'000		2001 £'000
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash			**(714)**		9,497
Net movements in loans and finance leases			**8,446**		3,745
Movement in liquid resources			**3,536**		-
Amortisation of loan costs			**(44)**		(279)
Exchange diferences			**722**		(985)
Movement in net debt in the period			**11,946**		11,978
Net debt at the beginning of the year			**(52,967)**		(64,945)
Net debt at the end of the year	31		**(41,021)**		(52,967)

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ACCOUNTING POLICIES
for the year ended 30 September 2002

Accounting policies
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important Group policies, which have been applied on a consistent basis (with the exception of the new reporting standard), is set out below.

New financial reporting standard
During the year Financial Reporting Standard (FRS) 19 (Deferred Tax) became effective. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

Accounting period
The Company's accounting period end has been changed from the Saturday nearest to 30 September to 30 September. This change has had no significant effect on the reporting of the results for the year ended 30 September 2002.

Consolidation
Subsidiaries acquired have been dealt with in the consolidated accounts using acquisition accounting. Upon the acquisition of a subsidiary, the fair values that reflect the condition at the date of acquisition are attributed to the identifiable asset and liabilities acquired. Adjustments are made to bring the accounting policies of subsidiaries acquired into alignment with those of the Group. Where the fair value of the consideration paid exceeds the fair value of the acquired assets and liabilities, the difference is treated as goodwill.

In accordance with the FRS 10 (Goodwill and Intangible Assets), goodwill arising on acquisitions made on or after 3 October 1998 is capitalised and amortised on a straight line basis over its useful economic life. Previously, all goodwill was written off against reserves in the year of acquisition. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal is determined after including the attributable amount of purchased goodwill previously written off directly to reserves. The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the date of disposal.

Current asset investments
Current asset investments are stated at the lower of cost and net realisable value.

Deferred taxation
With the implementation of FRS 19 (Deferred Tax), full provision (on an undiscounted basis) is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the respective tax computations. Deferred tax assets are recognised only to the extent that they are more likely than not to be recovered.

Derivative financial instruments
Derivative financial instruments are used to reduce the exposure to foreign exchange and interest rate risks. Instruments qualify for hedge accounting where the underlying asset or liability has characteristics which can be directly related to the instrument transacted. The gains and losses on those instruments qualifying for hedge accounting are recognised in the financial statements over the life of the transaction.

Where a derivative financial instrument no longer meets the criteria for a hedge, the instrument is restated at market value and any gains or losses are taken direct to the profit and loss account. The Group excludes all short-term debtors and creditors from the derivatives and financial instruments disclosures (other than those on currency risk relating to monetary assets and liabilities).

Exchange rates
Profit and loss accounts of foreign Group undertakings are translated at average rates of exhange. Balance sheets are translated at year-end rates. Exchange gains 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. 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. Exchange differences arising on transactions are taken to the profit and loss account.

Fixed asset investments
Investments in associated undertakings are stated at the Group's share of net assets at cost. The Group's share of the profits of associated undertakings is included in the profit and loss account.

For investments in joint ventures, the Group's share of the aggregate gross assets and liabilities of the investment is included in the balance sheet and the Group's share of the profit or loss of the joint venture is included in the profit and loss account.

Investments in Group undertakings are stated at cost less amounts written off to reflect any permanent diminution in value.

Interest payable
Interest is capitalised gross during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

Leased assets
Assets which are the subject of finance lease agreements and 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.

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. The Group also provide pensions and post retirement benefits by contributing to defined contribution schemes. The charge in the profit and loss account reflects the contributions paid and payable to these schemes during the period.

Research and development

All research and development costs are written off in the year in which they are incurred, with the exception of certain major product development projects where reasonable certainty exists as regards technical and commercial viability. Such expenditure is capitalised and amortised over the expected product life, commencing in the year when sales of the product are made for the first time.

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.

Tangible fixed assets

Tangible fixed assets are stated at cost with the exception of previously revalued tangible fixed assets, which are now held at their book value at the date of implementation of FRS 15 (Tangible Fixed Assets), as permitted under the transitional rules of that standard, less amounts provided for depreciation and any provision for impairment. 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.

Turnover

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the invoiced value of goods and services supplied.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2002

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 retained loss for the financial year was £8,887,000 (2001: £9,877,000 profit).

2 Segmental information

	2002 £'000	2001 £'000
(a) External sales by destination		
United Kingdom	**49,461**	46,207
Other European	**83,702**	95,506
North America – Continuing operations	**111,839**	116,433
Discontinued operations	**–**	16,010
Rest of World	**5,507**	3,885
	250,509	278,041

	2002					2001
	External sales £'000	**Total operating profit/(loss) £'000**	**Operating net assets £'000**	External sales £'000	Total operating profit/(loss) £'000	Operating net assets (restated) £'000
(b) By origin:						
Before exceptional operating items						
United Kingdom	**66,057**	**450**	**52,785**	77,253	(769)	58,804
Other European	**71,291**	**1,563**	**37,257**	70,508	3,610	37,831
North America – Continuing operations	**113,161**	**8,429**	**31,315**	114,270	7,774	39,619
Discontinued operations	**–**	**–**	**–**	16,010	(1,881)	–
	250,509	**10,442**	**121,357**	278,041	8,734	136,254
Exceptional operating items (note 5)						
United Kingdom	**–**	**(5,672)**	**–**	–	(150)	–
Other European	**–**	**(1,029)**	**–**	–	(802)	–
North America – Continuing operations	**–**	**–**	**–**	–	(2,604)	–
	–	**(6,701)**	**–**	–	(3,556)	–
After exceptional operating items						
United Kingdom	**66,057**	**(5,222)**	**52,785**	77,253	(919)	58,804
Other European	**71,291**	**534**	**37,257**	70,508	2,808	37,831
North America – Continuing operations	**113,161**	**8,429**	**31,315**	114,270	5,170	39,619
Discontinued operations	**–**	**–**	**–**	16,010	(1,881)	–
	250,509	**3,741**	**121,357**	278,041	5,178	136,254

Inter segmental sales are not material.

2 Segmental information (continued)

	2002 External sales £'000	2002 Total operating profit/(loss) £'000	2002 Operating net assets £'000	2001 External sales £'000	2001 Total operating profit/(loss) £'000	2001 Operating net assets (restated) £'000
(c) By business sector:						
Before exceptional operating items						
Automotive components						
Continuing operations	**186,176**	**4,485**	**73,480**	195,017	6,932	82,546
Discontinued operations	–	–	–	11,350	(769)	–
	186,176	**4,485**	**73,480**	206,367	6,163	82,546
Technical products						
Continuing operations	**64,333**	**5,957**	**47,877**	67,014	3,683	53,708
Discontinued operations	–	–	–	4,660	(1,112)	–
	64,333	**5,957**	**47,877**	71,674	2,571	53,708
	250,509	**10,442**	**121,357**	278,041	8,734	136,254
Exceptional operating items (note 5)						
Automotive components						
Continuing operations	–	**(6,338)**	–	–	(1,355)	–
Technical products						
Continuing operations	–	**(363)**	–	–	(2,201)	–
	–	**(6,701)**	–	–	(3,556)	–
Total						
Automotive components						
Continuing operations	**186,176**	**(1,853)**	**73,480**	195,017	5,577	82,546
Discontinued operations	–	–	–	11,350	(769)	–
	186,176	**(1,853)**	**73,480**	206,367	4,808	82,546
Technical products						
Continuing operations	**64,333**	**5,594**	**47,877**	67,014	1,482	53,708
Discontinued operations	–	–	–	4,660	(1,112)	–
	64,333	**5,594**	**47,877**	71,674	370	53,708
	250,509	**3,741**	**121,357**	278,041	5,178	136,254

Inter segmental sales are not material.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

2 Segmental information (continued)

	2002 £'000	2001 (restated) £'000
(d) Reconciliation of operating net asset analysis		
Consolidated balance sheet	**77,550**	80,638
Borrowings	**52,599**	66,553
Interest bearing bank deposits and investments	**(8,792)**	(10,937)
Operating net assets	**121,357**	136,254

	2002		2001	
(e) Directors and employees	**Year-end**	**Average**	Year-end	Average
The number of employees (including Executive Directors) during the year was:				
Automotive components	**3,523**	**3,645**	3,615	4,051
Technical products	**833**	**883**	972	1,070
Total	**4,356**	**4,528**	4,587	5,121

3 Cost of sales and other operating income and expenses

2002

	Before exceptional items £'000	**Exceptional items (see note 5) £'000**	**Continuing operations Total £'000**	**Discontinued operations Total £'000**	**Total £'000**
Turnover	**250,509**	**–**	**250,509**	**–**	**250,509**
Cost of sales	**(214,523)**	**–**	**(214,523)**	**–**	**(214,523)**
Gross profit	**35,986**	**–**	**35,986**	**–**	**35,986**
Distribution costs	**(6,693)**	**–**	**(6,693)**	**–**	**(6,693)**
Administrative expenses (including goodwill amortisation of £626,000)	**(19,977)**	**(6,701)**	**(26,678)**	**–**	**(26,678)**
Other operating income	**1,105**	**–**	**1,105**	**–**	**1,105**
Net operating expenses	**(25,565)**	**(6,701)**	**(32,266)**	**–**	**(32,266)**
Share of profits of joint venture and associate	**21**	**–**	**21**	**–**	**21**
Total operating profit	**10,442**	**(6,701)**	**3,741**	**–**	**3,741**

2001

	Before exceptional items £'000	Exceptional items £'000	Continuing operations Total £'000	Discontinued operations Total £'000	Total £'000
Turnover	262,031	–	262,031	16,010	278,041
Cost of sales	(227,198)	(952)	(228,150)	(16,583)	(244,733)
Gross profit	34,833	(952)	33,881	(573)	33,308
Distribution costs	(7,115)	–	(7,115)	(150)	(7,265)
Administrative expenses (including goodwill amortisation of £617,000)	(17,680)	(2,604)	(20,284)	(1,158)	(21,442)
Other operating income	458	–	458	–	458
Net operating expenses	(24,337)	(2,604)	(26,941)	(1,308)	(28,249)
Share of profits of joint venture and associate	119	–	119	–	119
Total operating profit	10,615	(3,556)	7,059	(1,881)	5,178

4 Joint venture and associate

	2002 £'000	2001 £'000
Share of operating profit in joint venture	**57**	8
Share of operating (loss)/profit in associate	**(36)**	111
	21	119

The Group's share of the turnover of the joint venture was £474,000 (2001: £356,000)

	Share Capital	Held by the Group	Accounting Date	Basis of Consolidation
Joint Venture				
Gold Seal-Avon Polymers PVT India	5,698,780 shares of 10 rupees each	50%	31 March	Audited accounts to 31 March 2002 Unaudited accounts to 30 September 2002
Associate:				
Ames-Avon Industries USA	2,000 shares of nil par value	49%	31 December	Audited accounts to 31 December 2001 Unaudited accounts to 30 September 2002

5 Exceptional operating items

	2002 £'000
Operating costs	
European rationalisation and reorganisation, principally the closure of the UK automotive hose factory at Trowbridge	**6,701**

6 Exceptional items

Loss on disposal of fixed assets of £1,205,000 relates to the write off of assets following the closure of the United Kingdom automotive hose business based at Trowbridge, Wiltshire.

Loss on disposal of operations of £568,000 relates to additional costs incurred following the disposal of the Nylaflow industrial hose business and Avon Injected Rubber & Plastics Inc. during 2001.

7 Interest and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	**(1,917)**	(4,154)
US dollar private placement	**(1,930)**	(3,117)
Other loans	**(107)**	(439)
Finance leases	**(1)**	(47)
	(3,955)	(7,757)
Share of interest cost in joint venture	**(77)**	(80)
Total interest payable	**(4,032)**	(7,837)
Interest receivable	**609**	2,516
	(3,423)	(5,321)

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

8 Profit/(loss) on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before taxation is stated after crediting:		
Rent receivable	**265**	49
Gain on foreign exchange	**162**	311
and after charging:		
Depreciation on tangible fixed assets:		
owned assets	**10,299**	11,445
leased assets	**147**	500
Impairment of tangible fixed assets	**–**	2,201
Amortisation of goodwill	**626**	617
Amortisation of deferred development costs	**598**	398
Auditors' remuneration for:		
audit (Company £84,000; 2001: £81,000)	**368**	354
other services to UK members of the Group (principally taxation services)	**85**	62
Research and development	**5,081**	4,267
Operating leases:		
plant and machinery	**1,925**	2,350
other assets	**1,076**	1,245

9 Taxation

(a) Analysis of charge/(credit) in the year

	2002 £'000	2001 (restated see note 28) £'000
Current tax:		
UK corporation tax on profits of the year at 30% (2001: 30%)	**28**	(87)
Overseas taxes	**1,802**	21
Associated company	**(13)**	42
Under provision in previous years	**576**	–
	2,393	(24)
Deferred tax:		
Origination and reversal of timing differences	**(2,083)**	(616)
Total tax charge/(credit)	**310**	(640)

(b) Factors affecting current tax charge/(credit) for the year

	2002 £'000	2001 (restated see note 28) £'000
Loss on ordinary activities before taxation	**(1,455)**	(9,059)
Loss on ordinary activities before taxation at the standard rate of UK corporation tax of 30% (2001: 30%)	**(437)**	(2,718)
Permanent differences	**(490)**	1,984
Depreciation charge in excess of capital allowances and other timing differences - current year movement on amounts provided	**2,151**	(1,215)
Depreciation charge in excess of capital allowances and other timing differences - current year movement on amounts unprovided	**453**	2,052
Differences between UK and overseas tax rates on overseas earnings	**140**	(127)
Adjustments to current tax charge in respect of previous periods	**576**	–
Current tax charge/(credit) for the year	**2,393**	(24)

9 Taxation (continued)

(c) Deferred taxation

	2002 Provided £'000
As brought forward	**1,198**
Prior year adjustment (see note 28)	**1,490**
As brought forward (restated)	**2,688**
Credit to profit and loss account	**(2,083)**
Transferred from Corporation tax creditor due after more than one year	**1,028**
Carried forward at 30 September	**1,633**

	2002		2001	
	Provided £'000	**Unprovided £'000**	Provided (restated) £'000	Unprovided £'000
Accelerated capital allowances	**6,194**	**–**	8,629	–
Short term timing differences (including pension deferral)	**(314)**	**–**	(2,009)	–
Losses	**(4,247)**	**(2,732)**	(3,932)	(2,235)
Total	**1,633**	**(2,732)**	2,688	(2,235)

(d) Future tax charges

The future tax charges will be reduced by the extent to which the group utilises losses unprovided in deferred tax balances.

10 Dividends

	2002 £'000	2001 £'000
Dividends on equity shares:		
Ordinary - Interim paid of 3.5p per share (2001: 3.5p per share)	**954**	969
Ordinary - Final proposed of 4.0p per share (2001: 3.5p per share)	**1,077**	969
	2,031	1,938
Dividends on non-equity shares:		
Preference (2001: 7%)	**–**	23
	2,031	1,961

Dividends payable in respect of 750,000 (2001: Nil) shares held as investments (see note 17) and 136,578 (2001: 136,578) shares held by the QUEST (see note 27) have been waived.

11 (Loss)/earnings per share

Basic loss per share amounts to 5.7p (2001: 30.6p) and is based on loss after taxation, and deduction of minority interests, and non-equity dividends, of £1,571,000 (2001: £8,472,000) and 27,448,000 ordinary shares (2001: 27,687,000) being the weighted average of the shares in issue during the year.

Earnings per share before exceptional items amounts to 16.0p (2001: 6.6p) and is based on profit after taxation, and deduction of minority interests, and non-equity dividends, of £4,403,000 (2001: £1,816,000).

Earnings per share before goodwill amortisation and exceptional items amounts to 18.3p (2001: 8.8p) and is based on profit after taxation, and deduction of minority interests, and non-equity dividends of £5,029,000 (2001: £2,433,000).

The Company has diluted potential ordinary shares in respect of the Sharesave Option Scheme (see page 24) and the Performance Share Plan (see page 22). The diluted loss per share is not materially different to the basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

11 (Loss)/earnings per share (continued)

Adjusted (loss)/earnings per share figures have been calculated in addition to basic and diluted figures since, in the opinion of the directors, these provide further information for an understanding of the Group's performance. A reconciliation of the different (loss)/earnings per share figures is shown below.

	2002 pence	2001 (restated see note 28) pence
Basic loss per share	**(5.7)**	(30.6)
Adjustment for exceptional items	**21.7**	37.2
Earnings per share before exceptional items	**16.0**	6.6
Adjustment for goodwill amortisation	**2.3**	2.2
Earnings per share before goodwill amortisation and exceptional items	**18.3**	8.8

12 Pensions and other retirement benefits

The Group has continued to account for pensions in accordance with Statement of Standard Accounting Practice No. 24 (SSAP 24) "Accounting for pension costs" and the disclosures given below are those required by that standard. In addition, the Group has set out the disclosures required under the transitional arrangements for the implementation of FRS 17 (Retirement Benefits).

a) Pensions

UK

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. Four of the directors are appointed by the Company and two are elected by the members.

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 1 April 2000 when the market value of the plan's assets was £239.8 million. The actuarial value of those assets represented 112% of the value of the benefits which had accrued to members, after allowing for future increases in salaries.

The pension cost for the year ended 30 September 2002 is based on the actuarial valuation as at 1 April 2000. The principal actuarial assumptions used are that the assets are valued at their market value at the valuation date, liabilities are valued by discounting projected future benefit payments at a rate 1% higher than the yield on fixed interest gilts at the valuation date, that inflation would be 3.0% (2001: 3.0%), pensionable salaries would increase by 4.0% (2001: 4.0%) and that pensions would increase by 3.0% (2001: 3.0%).

The pension cost to the Group in the year ended 30 September 2002 in respect of UK employees was £813,000 (2001: £333,000).
At 30 September 2002, the pension prepayment held in the Group balance sheet is £4,823,000 (2001: £4,798,000).

Employer contributions to the plan were 0.5% of salaries in respect of the period to 28 February 2002, increasing to 7.5% thereafter.

An updated actuarial valuation for FRS 17 purposes was carried out by an independent actuary at 30 September 2002 using the projected unit method.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method	2002 Projected Unit	2001 Projected Unit
Discount rate	**5.75%**	6.25%
Inflation rate	**2.25%**	2.5%
Increases to pensions in payment and deferred	**2.25%**	2.5%
Salary increases	**3.0%**	3.5%

12 **Pensions and other retirement benefits** (continued)

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30 September 2002	**Value at 30 September 2002 £'000**	Long-term rate of return expected at 30 September 2001	Value at 30 September 2001 £'000
Equities	**8.0%**	**118,888**	8.0%	133,962
Bonds	**4.7%**	**55,930**	5.0%	62,711
Other	**4.7%**	**4,088**	5.0%	9,808
Total market value of assets	**6.9%**	**178,906**	6.9%	206,481
Present value of scheme liabilities		**(209,882)**		(198,017)
(Deficit)/surplus in scheme		**(30,976)**		8,464
Related deferred tax asset/(liability)		**9,293**		(2,539)
Net pension (liability)/asset		**(21,683)**		5,925
Net Assets				
Net assets excluding SSAP 24 pension asset		**72,727**		75,840
Pension (liability)/asset		**(21,683)**		5,925
Net assets including pension (liability)/asset		**51,044**		81,765
Reserves				
Profit and loss reserve excluding SSAP 24 pension asset		**6,330**		9,147
Pension (liability)/asset		**(21,683)**		5,925
Profit and loss reserve		**(15,353)**		15,072

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2002 £'000
Current service	**2,473**
Past service cost	**–**
Total operating charge	**2,473**

Movement in surplus during the year

	2002 £'000
Surplus in the scheme at the beginning of the year	**8,464**
Movement:	
Current service cost	**(2,473)**
Contributions	**852**
Past service cost	**–**
Other finance income	**2,076**
Actuarial loss	**(39,895)**
Deficit in the scheme at the end of the year	**(30,976)**

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

12 Pensions and other retirement benefits (continued)

Analysis of the amount credited to other finance income

	2002 £'000
Expected return on pension scheme assets	**14,453**
Interest on pension scheme liabilities	**(12,377)**
Net return	**2,076**

Analysis of the amount recognised in statement of total recognised gains and losses

	2002 £'000
Actual return less expected return on pension scheme assets	**(31,629)**
Experience gains and losses arising on the scheme liabilities	**1,017**
Changes in the assumptions underlying the present value of the scheme liabilities	**(9,283)**
Actuarial loss recognised in statement of total recognised gains and losses	**(39,895)**

History of experience gains and losses

	2002 £'000
Difference between the actual and expected return on scheme assets:	
Amount	**(31,629)**
Percentage of scheme assets	**(17.7%)**
Experience gains and losses on scheme liabilities:	
Amount	**1,017**
Percentage of scheme assets	**0.5%**
Total amount recognised in statement of total recognised gains and losses:	
Amount	**(39,895)**
Percentage of scheme assets	**(22.3%)**

Overseas

For employees overseas, pension arrangements are principally defined contribution plans. The cost to the Group in the year ended 30 September 2002 in respect of overseas employees was £2,038,000 (2001: £2,142,000).

The Group's German subsidiary operates a fully re-insured defined benefit plan. The scheme's assets at 30 September 2002 were £529,000 (2001: £579,000) and the accrued liabilities £529,000 (2001: £579,000).

In addition, a one off payment is made to retiring employees in the Group's French operations. The accrued liability based on earnings and length of service at 30 September 2002 amounts to £775,000 (2001: £697,000). The amount charged to the Group profit and loss account in the year ended 30 September 2002 is £80,000.

b) Other post retirement benefits

Cadillac Rubber & 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 30 September 2002 is £294,000 (2001: £268,000), and the accrued liability of £3,369,000 (2001: £3,423,000) is included in provisions for liabilities and charges.

The liabilities of this unfunded benefit scheme were valued by an independent actuary at 1 October 2001, based on the following principal assumptions:

Discount rate	6.75%
Healthcare cost trend rate	12.00% reducing to 5.5% by 2009

13 Directors and employees

Detailed disclosures of directors' remuneration and share options are given on pages 22 to 24.

	2002 £'000	2001 £'000
Staff costs (including directors) during the year were:		
Wages and salaries	**72,417**	79,223
Social security costs	**8,224**	9,104
Other pension costs	**2,851**	2,475
	83,492	90,802

14 Intangible fixed assets – Group

	Cost £'000	Amortisation £'000	Net book value £'000
Goodwill			
At 30 September 2001	12,417	(1,397)	11,020
Amortisation	–	(626)	(626)
Exchange differences	176	(23)	153
At 30 September 2002	**12,593**	**(2,046)**	**10,547**
Development expenditure			
At 30 September 2001	2,931	(398)	2,533
Incurred during the year	625	(598)	27
At 30 September 2002	**3,556**	**(996)**	**2,560**
At 30 September 2002	**16,149**	**(3,042)**	**13,107**
At 29 September 2001	15,348	(1,795)	13,553

The goodwill arising on acquisitions since October 1998 is being amortised on a straight line basis over 20 years. This period is the period over which the directors estimate that the value of the business acquired is expected to exceed the value of the underlying assets.

The cumulative goodwill resulting from acquisitions, which has been written off to reserves at 30 September 2002, is £74,652,000 (2001: £74,652,000).

The development expenditure is being amortised over its estimated life of 5 years on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

15 Tangible fixed assets – Group

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or Valuation:					
At 30 September 2001	47,422	1,274	140	136,873	185,709
Exchange differences	(450)	(22)	(4)	(1,573)	(2,049)
Additions at cost	437	–	–	4,692	5,129
Disposals	(497)	–	–	(12,718)	(13,215)
At 30 September 2002	**46,912**	**1,252**	**136**	**127,274**	**175,574**
At Cost	37,135	452	136	127,274	164,997
At Valuation	9,777	800	–	–	10,577
	46,912	**1,252**	**136**	**127,274**	**175,574**
Depreciation:					
At 30 September 2001	3,653	215	99	80,877	84,844
Exchange differences	(279)	(8)	(4)	(1,212)	(1,503)
Charge for the year	1,353	56	1	9,036	10,446
On disposals	(191)	–	(6)	(11,322)	(11,519)
At 30 September 2002	**4,536**	**263**	**90**	**77,379**	**82,268**
Net book value at 30 September 2002	**42,376**	**989**	**46**	**49,895**	**93,306**
Net book value at 29 September 2001	43,769	1,059	41	55,996	100,865
Net book value includes the following leased assets					
At 30 September 2002	–	**989**	**46**	**890**	**1,925**
At 29 September 2001	–	1,059	41	1,102	2,202

The accumulated cost of freeholds includes £1,873,000 (2001: £1,873,000) in respect of capitalised interest, the net book value of which is £1,774,000 (2001: £1,811,000).

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	48,709	779	136
Depreciation	8,304	332	90
Net book value at 30 September 2002	**40,405**	**447**	**46**
Net book value at 29 September 2001	41,907	504	41

16 Tangible fixed assets – Parent

	Freeholds £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or Valuation:				
At 30 September 2001	27,468	800	1,885	30,153
Transfers from Group companies	–	–	27	27
Additions at cost	–	–	217	217
Disposals	(349)	–	(141)	(490)
At 30 September 2002	**27,119**	**800**	**1,988**	**29,907**
At Cost	27,119	–	1,988	29,107
At Valuation	–	800	–	800
	27,119	**800**	**1,988**	**29,907**
Depreciation:				
At 30 September 2001	978	120	1,152	2,250
Transfers from Group companies	–	–	7	7
Charge for the year	549	25	210	784
On disposals	(224)	–	(120)	(344)
At 30 September 2002	**1,303**	**145**	**1,249**	**2,697**
Net book value at 30 September 2002	**25,816**	**655**	**739**	**27,210**
Net book value at 29 September 2001	26,490	680	733	27,903
Net book value includes the following leased assets:				
At 30 September 2002	–	**655**	–	**655**
At 29 September 2001	–	680	–	680

The accumulated cost of freeholds includes £1,873,000 (2001: £1,873,000) in respect of capitalised interest, the net book value of which is £1,774,000 (2001: £1,811,000).

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	27,119	327
Depreciation	1,303	214
Net book value at 30 September 2002	**25,816**	**113**
Net book value at 29 September 2001	26,599	125

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

17 Fixed assets investments – Group

	2002 £'000	2001 £'000
Investment in own shares	**687**	–
Investment in joint venture:		
share of joint assets	**694**	755
share of joint liabilities	**(694)**	(754)
Investment in associate	**200**	476
Other investments	**27**	170
	914	647

	Investment in own shares £'000	Joint Venture £'000	Associated company £'000	Other investments other than loans £'000	Total £'000
Shares at cost, less amount written off:					
At 30 September 2001	–	482	184	170	836
Purchased during the year	1,120	–	–	–	1,120
Writedown of investments	(433)	–	–	(120)	(553)
Exchange differences	–	11	(23)	(23)	(35)
At 30 September 2002	**687**	**493**	**161**	**27**	**1,368**
Group share of profits less losses:					
At 30 September 2001	–	(481)	292	–	(189)
Exchange differences	–	8	3	–	11
Dividend received	–	–	(233)	–	(233)
(Losses)/profit for the year	–	(20)	(23)	–	(43)
At 30 September 2002	**–**	**(493)**	**39**	**–**	**(454)**
Net book value at 30 September 2002	**687**	**–**	**200**	**27**	**914**
Net book value at 29 September 2001	–	1	476	170	647

Interests in own shares represents the cost of 750,000 £1 ordinary shares purchased during the year. These shares were acquired by a trust in the open market using funds provided by the Company in respect of obligations under the 2002 scheme (see page 22). The costs of funding and administering the 2002 scheme are charged to the profit and loss account of the company in the period to which they relate. The market value of the shares at 30 September 2002 amounts to £1,095,000. The costs of the shares are being amortised over the three year performance period of the 2002 scheme. The trust has waived its rights to dividends and the shares held by the trust are excluded from the calculation of basic earnings per share.

18 Fixed assets investments – Parent

	Investment in own shares £'000	Investment in subsidiaries £'000	Total £'000
Net book value			
At 30 September 2001	–	82,585	82,585
Purchased during the year	1,120	–	1,120
Writedown of investment	(433)	(9,700)	(10,133)
At 30 September 2002	**687**	**72,885**	**73,572**

A list of Group undertakings appears on page 57.

19 Other financial commitments

	Group		Parent	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Capital expenditure committed	**1,560**	319	**23**	–

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 of the Group for non-cancellable operating leases are:

	2002		2001	
	Land and buildings £'000	**Other assets £'000**	Land and buildings £'000	Other assets £'000
For leases expiring				
Within 1 year	**–**	**90**	44	98
In 2-5 years	**516**	**177**	764	225
Over 5 years	**104**	**–**	175	1
	620	**267**	983	324

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

The parent company has annual commitments for non-cancellable operating leases on land and buildings expiring in over 5 years of £104,000 (2001: £110,000).

20 Stocks

	Group	
	2002	2001
	£'000	£'000
Raw materials	**6,905**	7,512
Work in progress	**4,666**	5,872
Finished goods	**7,639**	9,150
	19,210	22,534

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

21 Debtors

	Group		Parent	
	2002	2001 (restated see note 28)	**2002**	2001
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**35,762**	39,267	**20**	12
Group undertakings	**–**	–	**35,765**	8,065
Undertakings in which the Group has a participating interest	**325**	191	**107**	146
Advance corporation tax recoverable	**–**	111	**–**	22
Corporation tax	**–**	333	**–**	–
Other debtors	**4,567**	6,238	**544**	1,095
Prepayments	**1,546**	1,106	**66**	21
	42,200	47,246	**36,502**	9,361
Amounts falling due after more than one year:				
Deferred tax	**–**	–	**–**	–
Other debtors	**555**	806	**–**	–
Pension fund prepayment	**4,823**	4,798	**–**	–
	5,378	5,604	**–**	–
	47,578	52,850	**36,502**	9,361

The 2001 deferred tax debtor over one year has been restated from £1,198,000 following the adoption of FRS19.

22 Creditors – amounts falling due within one year

	Group		Parent	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	
Bank loans	**17,977**	8,882	**15,487**	–
US dollar private placement	**2,699**	2,886	**–**	–
Bank overdrafts	**1,864**	6,613	**–**	–
Finance leases	**31**	294	**–**	–
Total borrowings falling due within 1 year	**22,571**	18,675	**15,487**	–
Trade creditors	**26,350**	25,835	**654**	784
Group undertakings	**–**	–	**23,240**	20,527
Bills of exchange	**946**	2,308	**–**	–
Corporation tax	**1,385**	490	**2,307**	2,024
Other taxation and social security	**3,418**	3,477	**152**	202
Other creditors	**6,170**	7,199	**726**	846
Accruals	**8,858**	7,236	**408**	346
Proposed dividend on ordinary shares	**1,077**	969	**1,077**	969
	70,775	66,189	**44,051**	25,698

23 Creditors – amounts falling due after more than one year

	Group		Parent	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Bank loans	**16,496**	30,493	**15,544**	–
US dollar private placement	**13,496**	17,314	**–**	–
Finance leases up to 5 years	**36**	71	**–**	–
Total borrowings falling due after more than one year	**30,028**	47,878	**15,544**	–
Other creditors	**882**	1,539	**–**	–
Corporation tax	**–**	1,612	**–**	–
	30,910	51,029	**15,544**	–

Bank loans and overdrafts are denominated in a number of currencies and bear interest based on either bank base rates or national LIBOR equivalents.

The US dollar denominated private placement loan of $25.5 million (2001: $30 million) is stated net of unamortised issue costs of £157,000 (2001: £212,000).

24 Financial instruments

Treasury Policy
Details of the role that financial instruments have had during the period in creating or changing the risks the Group faces in its activities are discussed in the financial review on page 14. The financial review also discusses the objectives and policies for holding or issuing financial instruments and the strategies for achieving those objectives.

Short term debtors and creditors
Short term debtors and creditors have been excluded from the following disclosures, other than the currency risk disclosures.

Interest rate risk of financial assets

	2002			2001		
Currency	**Cash at bank and in hand £'000**	**Investments £'000**	**Total £'000**	Cash at bank and in hand £'000	Investments £'000	Total £'000
Sterling	**2,571**	**1,948**	**4,519**	339	–	339
US dollars	**2,455**	**1,615**	**4,070**	6,774	170	6,944
EU currencies (other than sterling)	**2,624**	**–**	**2,624**	5,496	–	5,496
Other currencies	**392**	**–**	**392**	977	–	977
	8,042	**3,563**	**11,605**	13,586	170	13,756

Cash at bank and in hand balances are denominated in a number of currencies and earn interest based on national base rates.

The US dollar investments include the net book value of a 9% equity holding in Longbore Inc. of $42,000 (2001: $250,000). Other investments relate to holdings in sterling and US dollar money and bond funds, the returns on which relate to the performance of the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

24 Financial instruments (continued)
Interest rate risk of financial liabilities

Currency	2002 Floating rate financial liabilities £'000	2002 Fixed rate financial liabilities £'000	2002 Total £'000	2001 Floating rate financial liabilities £'000	2001 Fixed rate financial liabilities £'000	2001 Total £'000
Sterling	**3,466**	**67**	**3,533**	2,929	365	3,294
US dollars	**9,602**	**16,195**	**25,797**	20,215	20,200	40,415
Euros	**20,941**	**–**	**20,941**	21,283	–	21,283
Other currencies	**2,328**	**–**	**2,328**	1,561	–	1,561
	36,337	**16,262**	**52,599**	45,988	20,565	66,553

Floating rate financial liabilities include loans, which bear interest at rates related to either bank base rates or national LIBOR equivalents . The interest on certain loans is fixed in advance for periods of between one and six months.

Fixed rate financial liabilities comprise finance leases and a dollar denominated loan of $25.7 million which provides a hedge against the Group's investment in dollar denominated net assets.

Fixed rate financial liabilities

Currency	2002 Weighted average interest rate %	2002 Weighted average period for which rate is fixed Years	2001 Weighted average interest rate %	2001 Weighted average period for which rate is fixed Years
Sterling	**7.2**	**2.0**	6.9	0.8
US dollars	**8.5**	**3.3**	8.5	4.3

Maturity of financial liabilities
The maturity profile of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at the end of the year was as follows:

	2002 Bank overdrafts and loans £'000	2002 Finance leases £'000	2002 Total £'000	2001 Bank overdrafts and loans £'000	2001 Finance leases £'000	2001 Total £'000
In 1 year or less, or on demand	**22,540**	**31**	**22,571**	18,381	294	18,675
Between 1 and 2 years	**6,943**	**32**	**6,975**	11,082	30	11,112
Between 2 and 5 years	**23,049**	**4**	**23,053**	31,622	41	31,663
Over 5 years	**–**	**–**	**–**	5,103	–	5,103
	52,532	**67**	**52,599**	66,188	365	66,553

Bank overdrafts and loans include the US dollar private placement.

24 Financial instruments (continued)

Borrowing facilities

The Group has the following undrawn committed borrowing facilities which have been arranged to meet its expected medium term requirements:

	2002			2001
	Floating rate £'000	**Fixed rate £'000**	**Total £'000**	Total £'000
Expiring within 1 year	**14,576**	**–**	**14,576**	31,473
Between 1 and 2 years	**–**	**–**	**–**	330
Over 2 years	**–**	**–**	**–**	1,678
Total undrawn committed borrowing facilities	**14,576**	**–**	**14,576**	33,481
Bank loans and overdrafts utilised	**36,337**	**16,195**	**52,532**	66,188
Utilised in respect of guarantees	**2,017**	**–**	**2,017**	–
Total Group facilities	**52,930**	**16,195**	**69,125**	99,669

The undrawn facilities are available at floating rates of interest. These facilities are subject to formal agreement with the providers of finance.

Fair values of financial assets and liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and liabilities. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. Set out on the next page is a summary of the methods and assumptions used for each category of financial instrument.

	2002		2001	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Bank loans and overdrafts under 1 year	**(19,841)**	**(19,841)**	(18,381)	(18,381)
US dollar denominated loan	**(16,352)**	**(16,516)**	(20,412)	(20,954)
Bank loans over 1 year	**(16,496)**	**(16,496)**	(27,395)	(27,395)
Finance leases	**(67)**	**(67)**	(365)	(365)
Cash at bank and in hand	**8,042**	**8,042**	13,586	13,586
Current asset investments	**3,536**	**3,536**	–	–
Derivative financial instruments held to manage the interest rate and currency profile				
Forward foreign currency contracts	**33**	**33**	26	26
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales and purchases				
Forward foreign currency contracts	**–**	**35**	–	10

The book value of the US dollar private placement is shown in the above table gross of unamortised issue costs of £157,000 (2001: £212,000).

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

24 Financial instruments (continued)
Summary of methods and assumptions

US dollar private placement and forward foreign currency contracts	Fair value is based on the market value of comparable instruments at the balance sheet date.
Bank loans	The fair value of bank loans approximates to their book values as these are floating rate facilities on which interest rates are reset to market rates typically on a one to six months basis.
Finance leases	The fair value of finance leases approximates to their book values as the interest rates inherent in these agreements are similar to the interest rates available on replacement facilities.
Current asset investments	The fair value of current asset investments is based on the market value of the investments at the balance sheet date.

The fair value for the Group's investments in Longbore Inc. has been assumed to approximate to book value on the grounds that an estimated fair value cannot be determined with sufficient reliability because this is an unquoted investment. This investment represents a 9% equity holding carried at cost $500,000 (2001: $500,000), less amounts written off of $458,000 (2001: $250,000) to reflect diminution in value.

Currency exposures
The carrying value of monetary assets and liabilities held by operating units in currencies other than their functional currency, which are not covered by forward exchange contracts, is not material.

Hedges
In order to protect against the fluctuations in foreign currencies, borrowings are taken out in the functional currency of the subsidiary companies. The currency exposure in respect of overseas investments was as follows:

				2002	2001
Currency	**Operating assets £'000**	**Unamortised goodwill £'000**	**Functional currency borrowings £'000**	**Remaining functional currency exposure £'000**	Remaining functional currency exposure £'000
US dollar	**34,503**	**–**	**25,797**	**8,706**	5,401
Euro	**14,280**	**10,547**	**20,941**	**3,886**	5,336
Other currencies	**8,599**	**–**	**2,328**	**6,271**	5,348
	57,382	**10,547**	**49,066**	**18,863**	16,085

The unrecognised losses on forward foreign currency contracts at 29 September 2001 amounted to £10,000 which was recognised in the profit and loss account for the year ended 30 September 2002. The unrecognised gains on forward foreign currency contracts at 30 September 2002 amount to £35,000. which is expected to be recognised in the profit and loss account for the year ended 30 September 2003.

25 Provisions for liabilities and charges – Group

	Deferred tax £'000	Post retirement benefits £'000	Other £'000	Total £'000
Balance at 30 September 2001	1,198	3,423	68	4,689
Prior year adjustment (see note 28)	1,490	–	–	1,490
Balance at 30 September 2001 as restated	2,688	3,423	68	6,179
(Credited)/charged to profit and loss account	(2,083)	294	6,701	4,912
Payments in the year	–	(112)	(5,313)	(5,425)
Exchange differences	–	(236)	–	(236)
Transferred from Corporation tax creditor due after more than one year	1,028	–	–	1,028
Balance at 30 September 2002	**1,633**	**3,369**	**1,456**	**6,458**

The provision for post retirement benefits is detailed in note 12. Payments are made in the three years following employees retirement.

The other provision is in respect of the European rationalisation and reorganisation (see note 5), the costs of which are expected to be paid during the next financial year.

26 Contingent liabilities

	Group		Parent	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Guarantees of overdraft facilities and loans of Group undertakings	–	–	**51,153**	55,645
Other guarantees	**2,463**	376	–	–
	2,463	376	**51,153**	55,645

The company and certain subsidiaries have unconditionally guaranteed the liabilities of Avon Rubber & Plastics Inc. in respect of its US $25.5 million private debt placement.

The bank has the right to set off the bank account of the Parent and the UK subsidiaries.

Other guarantees are bank guarantees issued to cover normal trading requirements.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

27 Share capital

	2002 £'000	2001 £'000
Authorised:		
37,900,000 ordinary shares of £1 each	**37,900**	37,900
Called up, allotted and fully paid:		
27,824,000 ordinary shares of £1 each	**27,824**	27,824

At 30 September 2002, a Qualifying Employee Share Ownership Trust ("QUEST"), held 136,578 ordinary shares in the company at a market value of £1.46 per share, all of which were under option to employees. Dividends on the shares held by QUEST have been waived.

Details of outstanding share options are given on pages 22 and 24.

28 Share premium account and reserves – Group

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 30 September 2001	34,070	2,578	500	16,633
Prior year adjustment (see below)	–	–	–	(2,688)
At 30 September 2001 as restated	34,070	2,578	500	13,945
Transfer from revaluation reserve to profit and loss account	–	(42)	–	42
Unrealised exchange differences on overseas investments	–	–	–	768
Current year loss	–	–	–	(3,602)
At 30 September 2002	**34,070**	**2,536**	**500**	**11,153**
Avon Rubber p.l.c. and subsidiaries	34,070	2,536	500	11,607
Joint venture and associated company	–	–	–	(454)
	34,070	**2,536**	**500**	**11,153**

The adoption of FRS 19 has resulted in a prior period adjustment. This relates to an adjustment of £1,198,000 in debtors (see note 21) and £1,490,000 in provisions for liabilities and charges (see note 25). The tax charge has decreased as a result of the change in policy by £1,055,000 in the current year and increased by £278,000 in 2001. The impact on the years prior to 2001 was £2,410,000. This has been adjusted in establishing the brought forward reserves.

29 Share premium account and reserves – Parent

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 30 September 2001	34,070	16,439	541	500	35,673
Transfer from revaluation reserve to profit and loss account	–	–	(42)	–	42
Unrealised exchange differences	–	–	–	–	418
Current year loss	–	–	–	–	(8,887)
At 30 September 2002	**34,070**	**16,439**	**499**	**500**	**27,246**

30 Net cash inflow from operating activities

	2002 £'000	2001 £'000
Continuing operations		
Total operating profit	**3,741**	7,059
Goodwill amortisation	**626**	617
Amortisation of development costs	**598**	398
Amortisation of loan issue costs	**44**	279
Depreciation of tangible fixed assets	**10,446**	11,449
Impairment of tangible fixed assets	–	2,201
Writedown of fixed asset investments	**553**	170
Profit on sale of tangible fixed assets	**(94)**	(55)
Decrease in stocks	**2,785**	2,319
Decrease in debtors	**2,361**	7,634
(Decrease)/increase in creditors	**(297)**	749
Increase in pension prepayment	**(25)**	(202)
Share of operating profits of joint venture and associate	**(21)**	(119)
Increase/(decrease) in provisions	**1,570**	(2,877)
Effect of foreign exchange rate changes	–	468
Net cash inflow from continuing operations	**22,287**	30,090
Discontinued operations		
Operating loss	–	(1,881)
Depreciation of tangible fixed assets	–	496
Decrease in stocks	**286**	649
Decrease/(increase) in debtors	**994**	(393)
Decrease in creditors	**(304)**	(747)
Net cash inflow/(outflow) from discontinued operations	**976**	(1,876)
Total net cash inflow from operating activities	**23,263**	28,214

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2002

31 Analysis of net debt

	At 30 Sept 2001 £'000	Cash flow £'000	Amortisation of loan costs £'000	Exchange movements £'000	**At 30 Sept 2002 £'000**
Cash at bank and in hand	13,586	(5,518)	–	(26)	**8,042**
Overdrafts	(6,613)	4,804	–	(55)	**(1,864)**
Debt due after 1 year	(47,807)	17,256	(44)	603	**(29,992)**
Debt due within 1 year	(11,768)	(9,108)	–	200	**(20,676)**
Finance leases	(365)	298	–	–	**(67)**
Current asset investments	–	3,536	–	–	**3,536**
	(52,967)	11,268	(44)	722	**(41,021)**

32 Related party transactions

At the end of the year the Group had loans outstanding due from Gold Seal-Avon Polymers PVT totalling £107,000 (2001: £146,000).

There were no other material related party transactions during the year.

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GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS at 30 September 2002

	Group interest	Country in which incorporated
Held by parent company		
Avon Polymer Products Limited		
Avon Rubber Overseas Limited		
Avon Rubber Pension Trust Limited		
Held by group undertakings		
Avon Automotive Deutschland GmbH		Germany
Avon Caoutchouc S.A.		France
Avon Hi-Life Inc.		USA
Avon Injected Rubber & Plastics Inc.		USA
Avon Milk-Rite Inc.		USA
Avon Polymères France S.A.		France
Avon Rubber & Plastics Inc.		USA
Avon Rubber Holland BV		Netherlands
Avon Rubber Polimeros L.D.A.		Portugal
Avon Automotive a.s.		Czech Republic
Avon Spencer Moulton S.A.		France
Avon Vibration Management Systems Limited		
Avon Zatec LLC.		USA
Avon-Ames Limited	51%	
Bell Avon Inc.	80%	USA
Cadillac Rubber & Plastics Inc.		USA
Cadillac Rubber & Plastics de Mexico SA de CV*		Mexico
Cadimex SA de CV*		Mexico
CT Rubber & Plastics Inc.	60%	USA
Industrial Flexo S.A.		Spain
Nova Insurance Limited		Guernsey
Pacer Tool and Plastics Inc.		USA
Proflex S.A.		Spain
Undertakings in which the Group has a participating interest		
Ames-Avon Industries*†	49%	USA
Gold Seal-Avon Polymers PVT*†	50%	India
Longbore Inc.	9%	USA

Shareholdings are ordinary shares and, except where shown, undertakings are wholly owned.

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

Except where indicated by * all companies have a year ending in September. Companies marked by * all have December year ends, except Gold Seal-Avon Polymers PVT which has a March year end.

Avon Rubber Pension Trust Limited, Nova Insurance Limited and Longbore Inc. are, respectively, a pension fund trustee, an insurer and a pollution remediation contractor. Avon Rubber Overseas Limited, Avon Caoutchouc S.A., Avon Rubber Holland BV and Avon Rubber & Plastics Inc. are investment holding companies. The activities of all of the other companies listed above 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.

† Ames-Avon Industries is an associated company and Gold Seal-Avon Polymers PVT a joint venture within the meaning of Financial Reporting Standard Number 9.

Avon Rubber p.l.c.

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FIVE YEAR RECORD

	2002 £'000	2001 (restated) £'000	2000 £'000	1999 £'000	1998 £'000
Turnover	**250,509**	278,041	277,997	266,164	267,085
Profit on trading	**21,493**	21,177	27,798	31,831	31,196
Share of profits/(losses) of joint venture and associated company	**21**	119	161	(54)	26
	21,514	21,296	27,959	31,777	31,222
Goodwill amortisation	**(626)**	(617)	(623)	(163)	–
Depreciation	**(10,446)**	(11,945)	(11,911)	(9,734)	(8,871)
Operating profit before exceptional items	**10,442**	8,734	15,425	21,880	22,351
Reorganisation costs	**(6,701)**	(1,355)	(6,672)	–	–
Impairment of tangible fixed assets	–	(2,201)	–	–	–
(Loss)/profit on sale of fixed assets and investments	**(1,205)**	–	25	1,422	718
(Loss)/profit on sale of operations	**(568)**	(8,916)	–	–	–
Profit/(loss) before interest	**1,968**	(3,738)	8,778	23,302	23,069
Interest	**(3,423)**	(5,321)	(3,040)	(1,396)	836
(Loss)/profit before taxation	**(1,455)**	(9,059)	5,738	21,906	23,905
Taxation	**(310)**	640	(2,960)	(6,257)	(7,003)
(Loss)/profit after taxation	**(1,765)**	(8,419)	2,778	15,649	16,902
Minority interests	**194**	(30)	717	133	254
(Loss)/profit attributable to Avon shareholders	**(1,571)**	(8,449)	3,495	15,782	17,156
Preference dividends	–	(23)	(35)	(35)	(25)
Ordinary dividends	**(2,031)**	(1,938)	(6,700)	(6,698)	(6,273)
(Loss)/retained profit	**(3,602)**	(10,410)	(3,240)	9,049	10,858
Fixed assets and investments	**107,327**	115,065	126,892	116,340	68,409
Working capital	**17,702**	24,719	36,142	28,187	22,157
Provisions	**(6,458)**	(6,179)	(8,385)	(6,276)	(5,263)
Assets employed	**118,571**	133,605	154,649	138,251	85,303
Financed by:					
Ordinary share capital	**27,824**	27,824	27,824	27,824	27,718
Reserves attributable to Avon shareholders	**48,259**	51,093	59,639	61,233	52,187
Preference share capital	–	–	500	500	500
Minority shareholders' interests	**1,467**	1,721	1,741	2,328	2,426
Shareholders' capital employed	**77,550**	80,638	89,704	91,885	82,831
Net borrowings	**41,021**	52,967	64,945	46,366	2,472
Capital employed	**118,571**	133,605	154,649	138,251	85,303
Basic (loss)/earnings per share	**(5.7)p**	(30.6)p	12.4p	56.8p	62.4p
Dividends per share	**7.5p**	7.0p	24.2p	24.2p	22.8p

The above includes the results of both continuing and discontinued activities.

Years' prior to 2001 have not been restated for the effects of FRS 19.

Avon Rubber p.l.c.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire on Thursday 23 January 2003 at 10 a.m. for the following purposes:-

1. To receive a presentation by the Chief Executive on aspects of the Company's business.
2. To receive and consider the report of the directors and the financial statements for the year ended 30 September 2002 (Resolution No.1)
3. To declare a dividend on the ordinary shares (Resolution No. 2).
4. To re-elect directors:-

   Mr. B. Duckworth retires under the provisions of Article 84 and, being eligible, offers himself for re-election (Resolution No. 3).

   Mr. D. Bartels retires under the provisions of Article 84 and, being eligible, offers himself for re-election (Resolution No. 4).

   Mr. T.C. Bonner retires by rotation and, being eligible, offers himself for re-election (Resolution No. 5).

   Mr. S.J. Stone retires by rotation and, being eligible, offers himself for re-election (Resolution No. 6).

   Mr. T.K.P. Stead retires by rotation and, being eligible, offers himself for re-election (Resolution No. 7).
5. To re-appoint PricewaterhouseCoopers as auditors and to authorize the directors to fix their remuneration (Resolution No. 8).
6. To transact any other routine business.
7. As special business to consider and if thought fit pass the following resolution which will be proposed as an Ordinary Resolution (Resolution No. 9):

   "That the authority conferred on the directors by Article 9.2 of the Company's Articles of Association be renewed for the period ending on the date of the annual general meeting in 2004 or on 23 April 2004, whichever is the earlier, and, for such period the section 80 amount shall be £9,274,648."
8. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 10):

   "That the power conferred on the directors by Article 9.3 of the Company's Articles of Association be renewed for the period ending on the date of the annual general meeting in 2004 or on 23 April 2004, whichever is the earlier, and for such period the section 89 amount shall be £1,391,197."
9. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 11):

   "That the Company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Company's Act 1985 to make market purchases (as defined in section 163 of the Act) of ordinary shares of £1 each in the capital of the Company provided that:

   (a) the maximum number of shares which may be purchased is 4,173,591;

   (b) the minimum price which may be paid for each share is 1p;

   (c) the maximum price which may be paid for a share is an amount equal to 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange London official list for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and

   (d) this authority shall expire at the conclusion of the annual general meeting of the Company held in 2004 or, if earlier, on 23 July 2004 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time".

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

By order of the Board
C.L. Martin, Secretary
Bradford on Avon
16 December 2002

A form of proxy is enclosed. The appointment of a proxy will not prevent a 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, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA, 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), for the taking of the poll at which it is to be used.

Documents for Inspection

The following documents will be available for inspection from the date of this notice of annual general meeting until the close of the annual general meeting, at the registered office of the Company and at the place of the annual general meeting from at least 15 minutes prior to the meeting until the close of the meeting:-

(i) the Register of Directors' interest 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 the Directors of the Company are employed by the Company or any of its subsidiaries.

NOTICE OF ANNUAL GENERAL MEETING continued

Explanation of Resolution Nos. 9 and 10.

Article 9 of the Articles of Association of the Company both authorises your board to allot shares and disapplies shareholders' pre-emption rights, on an annual 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 authorities referred to above were renewed at the annual general meeting in 2002 and will, unless again renewed by the shareholders, expire at the end of the forthcoming annual general meeting. The authorisation for the allotment of shares and for the disapplication of pre-emption rights can be renewed by way of a relatively simple ordinary resolution and special resolution respectively. It is therefore proposed as Resolution No. 9 to renew the authority of the directors to allot shares up to an aggregate nominal amount of £9,274,648 ("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 (including in connection with a rights issue). It is additionally proposed as Resolution No. 10 to provide that the authority to issue shares for cash to persons other than existing shareholders (and not by way of a rights issue) will be limited to issues representing no more than £1,391,197 ("the section 89 amount") being 5% of the issued ordinary share capital as shown in the latest audited financial statements.

Since the issued ordinary share capital is the same as at the same time last year, the proposed section 80 amount and the proposed section 89 amount are the same as the amounts approved at the annual general meeting in 2002. 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$^1/_3$% of the existing issued ordinary share capital; this year 33$^1/_3$% of the existing issued ordinary share capital is the lesser amount and the section 80 amount has been calculated accordingly.

The authorities sought in Resolutions 9 and 10 comply 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 2004 or on 23 April 2004 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 Avon Rubber p.l.c. Sharesave Option Scheme 1992, the Avon Rubber p.l.c. Executive Share Option Scheme 1986, The Avon Rubber Sharesave Option Scheme 2002 and the Avon Rubber p.l.c. Performance Share Plan 2002), 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.

Explanation of Resolution No. 11.

It is proposed, by way of Resolution No. 11, to renew the Company's power to buy back its own shares. Although the Company's Articles of Association give the Company the relevant power, the Company is only permitted to buy back its shares pursuant to that power if it is additionally authorised to do so by a relevant resolution of the Company.

Resolution No. 11 would grant the Company authority to make purchases on the London Stock Exchange of up to 4,173,591 ordinary shares of £1 each of the Company, subject to the limitations on the minimum and maximum prices set out in the Resolution, for a period up to the conclusion of the annual general meeting of the Company held in 2004 or, if earlier, 23 July 2004. The maximum number of ordinary shares for which authority to purchase is being sought represents nearly 15% (fifteen percent) of the Company's issued ordinary share capital.

As of 29 November 2002 there were options outstanding over 2,161,059 ordinary shares, representing 7.77% of the company's ordinary issued share capital. If the authority given by Resolution 11 were to be fully exercised, these options would represent 9.14% of the Company's ordinary issued share capital. As of 29 November 2002 there were no warrants outstanding over ordinary shares.

The directors intend to exercise the power given by Resolution No. 11 only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the underlying value per share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly.

Bonus and incentive scheme targets for executive directors would not be affected by any enhancement of earnings per share following a share re-purchase.

In the opinion of the Directors, Resoluton 11 is in the best interests of the shareholders as a whole and the directors intend to seek renewal of these powers at subsequent annual general meetings.

Avon Rubber p.l.c.

SHAREHOLDERS' INFORMATION

Nº 32965

Shareholders

On 29 November 2002 the company had 2,922 shareholders.

Of the shareholders, 1,661 (57%) had holdings of 1,000 shares or less

Financial calendar

Interim figures announced in May and final results in November/December.

Interim ordinary dividend declared in May and paid in June.

Final ordinary dividend announced, together with the results for the year, in November/December ad paid in January.

Annual General Meeting held in January.

In respect of the year ended 30 September 2002, the Annual General Meeting will be held on 23 January 2003 and the final dividend will, if approved, be paid on 31 January 2003 to shareholders on the register on 10 January 2003.

Corporate Information

Registered Office
Manvers House, Kingston Road,
Bradford on Avon, Wiltshire,
BA15 1AA England
Registered in England and Wales
No. 32965

Company Secretary
C.L. Martin (to 31.12.02)
P.J. Fairbairn (from 1.1.03)

Auditors
PricewaterhouseCoopers

Registrars & Transfer Office
Northern Registars Limited
Northern House
Woodsome Park, Fenay Bridge
Huddersfield HD8 0LA

Brokers
Cazenove & Co. Ltd

Solicitors
Linklaters

Principal Bankers
Comerica Inc.
HSBC Bank plc

Corporate Financial Advisors
ING Barings Limited

Corporate web site
www.avon0rubber.com

Share price information can be obtained on the Financial Times Cityline service by dialling 0906 843 1713