

AVON POLYMER PRODUCTS LIMITED

DIRECTORS' REPORT

Directors: R L Barker
D A W Bedford
T K P Stead
S J Stone
S J Willcox

Secretary: P J Fairbairn
Registered Office: Manvers House
Kingston Road
Bradford on Avon
Wiltshire
BA15 1AA

The directors present the annual report and audited financial statements of the company for the year ended 30 September 2002. The loss on ordinary activities after taxation amounts to £3,782,895 (2001 £5,244,891 restated). Full details are set out in the attached profit and loss account.

No dividends have been paid or proposed during the year (2001: nil).

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Throughout the year the principal activity was the manufacture of elastomeric products for industrial, commercial and defence purposes.

Turnover decreased by £9.5 million during the year, mainly due to the closure of the automotive hose factory at Trowbridge and the transfer of business to overseas companies within the Avon Group. This closure together with other reorganisation costs has resulted in exceptional costs of £6,666,489 and exceptional income of £7,935,000. Including the exceptional items the loss before tax was £4,387,768 (2001 £7,429,055).

Technical products, based at Hampton Park West, showed significant performance improvements during the year. The mixing unit also performed well, consistently producing high quality material.

2. DIRECTORS

Mr C L Martin and Mr M James resigned as directors on 31 December 2002. Mr C L Martin resigned as company secretary on 31 December 2002. Mr P J Fairbairn was appointed company secretary on 1 January 2003.

None of the directors had a beneficial interest in the shares of the company

The beneficial interests of Messrs S J Willcox, S J Stone and T K P Stead in the shares and share options of the ultimate holding company, Avon Rubber p.l.c., are disclosed in the financial statements of that company.



The beneficial interest of the remaining directors in the ordinary shares of Avon Rubber p.l.c. were as follows:

	At the beginning of the year	At the end of the year
R L Barker	408	408
D A W Bedford	6,003	6,003
C L Martin	4,788	4,788
M James	1,350	1,350

Under the Executive Share Option Scheme 1986, the following director holds options to subscribe for ordinary shares of £1 each in Avon Rubber p.l.c.:

	Shares	Price £	Exercisable at Any time up to
C L Martin	12,000	5.10	2005

Under the Executive Share Incentive Scheme 1996, a description of which is given in the report and accounts of the ultimate controlling party Avon Rubber p.l.c, none of the directors purchased any shares as part of their annual bonus for the 2000/2001 financial year since no bonuses were declared for that year.

The maximum number of shares comprised in the conditional awards under this scheme in the three most recent years of operation are as follows

	Total granted to date	Granted 2000
D A W Bedford	168	168
C L Martin	180	180
M J James	324	324
R L Barker	177	177

Under the Performance Share Plan 2002, a description of which is given in the reports and accounts of the ultimate controlling party Avon Rubber p.l.c., the following options were granted: -

	Total option awards outstanding	Granted 2002
D A W. Bedford	30,151	30,151
R L Barker	44,322	44,322

Under the Group Savings Related Share Option Scheme, the following directors hold options to subscribe for ordinary shares of £1 each in Avon Rubber p.l.c.:

	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
D A W Bedford	428	-	428	-	-	-
	3,379	-	-	3,379	1.72	2004
	-	3,382	-	3,382	1.00	2005
C L Martin	3,443	-	-	3,443	5.01	2003
M J James	1,377	-	-	1,377	5.01	2003

3. RESEARCH AND DEVELOPMENT

The company carries out selective programmes of research to improve its major processes and abilities to develop new products. The company's investment in research and development for the year to 30 September 2002 amounted to £1,116,607 (2001 £737,002).

4. DISABLED PERSONS

It has been the policy of the company throughout the year to encourage the employment and development of suitable disabled persons.

No unnecessary limitations are placed on the type of work which disabled persons can perform and the policy ensures that in appropriate cases, consideration is given to modifications to equipment or premises and to adjustments in working practices.

The policy provides that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment.

5. 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.

The company has been recognised as an Investor in People as part of a UK wide award.

6. CREDITOR PAYMENT POLICY

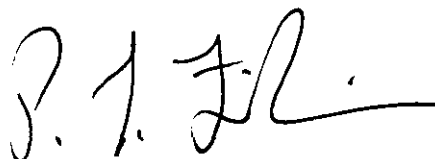
It is the company's policy to agree terms and conditions under which business transactions with suppliers are conducted. Payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

For the year ended 30 September 2002, the number of days' purchases outstanding at the end of the financial year were 40.1 days (2001 52.8 days), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

7. AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 10 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

By order of the board
P. J. Fairbairn, Secretary
Bradford-on-Avon, Wiltshire



15 July 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By order of the board
P. J. Fairbairn, Secretary
Bradford-on-Avon, Wiltshire

15 July 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON POLYMER PRODUCTS LIMITED

We have audited the financial statements on pages 6 to 19, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

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 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body 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 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 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.

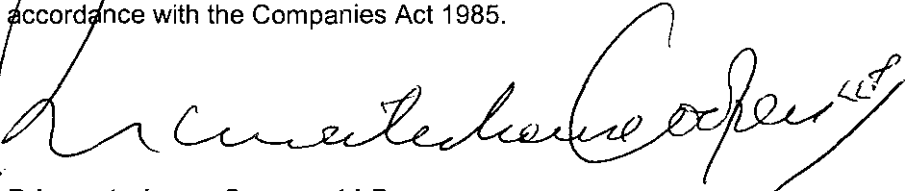
Basis of audit opinion

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 at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

15 July 2003

AVON POLYMER PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2002

	2002 Before exceptional items	2002 Exceptional items (note 4)	2002 Total	2001 (restated see note 19) Total
	£	£	£	£
Turnover (notes 2 & 3)				
Continuing activities	18,300,378	-	18,300,378	16,098,211
Discontinued activities: Automotive hose	11,753,210	-	11,753,210	23,463,195
	30,053,588	-	30,053,588	39,561,406
Cost of sales	(31,929,065)	-	(31,929,065)	(41,455,337)
Gross loss	(1,875,477)	-	(1,875,477)	(1,893,931)
Distribution costs (note 4)	(1,072,529)	-	(1,072,529)	(1,561,853)
Administrative expenses (note 4)	(1,714,555)	(678,489)	(2,393,044)	(1,850,127)
Other operating income (note 4)	319,150	-	319,150	-
Operating loss (note 3)				
Continuing activities	(3,030,865)	(678,489)	(3,709,354)	(6,312,024)
Discontinued activities: Automotive hose	(1,312,546)	-	(1,312,546)	1,006,113
	(4,343,411)	(678,489)	(5,021,900)	(5,305,911)
Loss on termination of operation	-	(5,988,000)	(5,988,000)	-
Profit on sale of intangible assets	-	7,935,000	7,935,000	-
Loss on ordinary activities before interest	(4,343,411)	1,268,511	(3,074,900)	(5,305,911)
Interest received from group undertaking	42,171	-	42,171	87,859
Other interest receivable and similar income	-	-	-	38,339
Interest payable and similar charges (note 5)	(1,355,039)	-	(1,355,039)	(2,249,342)
Loss on ordinary activities before taxation (note 6)	(5,656,279)	1,268,511	(4,387,768)	(7,429,055)
Taxation (note 7)	(530,255)	1,135,128	604,873	2,184,164
Loss for the year (note 19)	(6,186,534)	2,403,639	(3,782,895)	(5,244,891)

There is no material difference in the profit as stated above and that calculated on an historical cost basis.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 SEPTEMBER 2002

	2002	2001 (restated see note 19)
	£	£
Loss for the year	(3,782,895)	(5,244,891)
Prior year adjustment (see note 18)	1,585,804	
Total losses since last annual report	(2,197,091)	

AVON POLYMER PRODUCTS LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2002

	2002	2001 (restated see note 19)
	£	£
FIXED ASSETS		
Tangible assets (note 10)	9,523,094	12,964,689
Investments (note 12)	15,132,981	15,132,981
	<u>24,656,075</u>	<u>28,097,670</u>
CURRENT ASSETS		
Stocks (note 13)	2,547,601	3,456,544
Debtors (note 14)		
- Amounts falling due within one year	36,073,348	32,425,255
- Amounts falling due over one year	4,927,888	3,252,888
Cash at bank and in hand	3,615	1,477,492
	<u>43,552,452</u>	<u>40,612,179</u>
CREDITORS		
Amounts falling due within one year (note 15)	(36,439,233)	(34,437,506)
NET CURRENT ASSETS	<u>7,113,219</u>	<u>6,174,673</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>31,769,294</u>	<u>34,272,343</u>
CREDITORS		
Amounts falling due after more than one year (note 15)	(14,899)	(33,053)
PROVISIONS FOR LIABILITIES AND CHARGES (note 16)	(1,366,000)	(68,000)
NET ASSETS	<u><u>30,388,395</u></u>	<u><u>34,171,290</u></u>
CAPITAL AND RESERVES		
Share capital (note 17)	36,367,717	36,367,717
Profit and loss account (note 18)	(5,979,322)	(2,196,427)
EQUITY SHAREHOLDERS' FUNDS (note 19)	<u><u>30,388,395</u></u>	<u><u>34,171,290</u></u>

These financial statements were approved by the board of directors on 15 July 2003 and were signed on its behalf by:

Avon Polymer Products Limited

}
} Directors
}

AVON POLYMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently (with the exception of the new reporting standard), is set out below.

Basis of Preparation

As Avon Polymer Products Limited is a wholly owned subsidiary company of Avon Rubber p.l.c., incorporated in Great Britain, which is the ultimate parent company, consolidated accounts have not been prepared. Copies of the parent company's consolidated financial statements may be obtained from Avon Rubber p.l.c. Manvers House, Kingston Road, Bradford on Avon, Wiltshire.

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.

Cash Flow Statement

The company's cash flows are included in the consolidated financial statements of its parent company Avon Rubber p.l.c.. The company has therefore taken advantage of the exemption conferred by FRS1 (revised) and has not presented a cash flow statement.

Pensions

The company is a participating member of the Avon Rubber p.l.c. Group Pension Scheme. The fund, which is a defined benefit type, 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 the scheme.

The company provides no other post retirement benefits to its employees.

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.

Interest Payable

Interest is capitalised gross during the period of construction when 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

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The capital element of repayments is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less amounts provided for depreciation. 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.

Fixed Asset Investments

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

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 to a maximum of 5 years, commencing in the year when sales of the product are made for the first time

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 tax computation. Deferred tax assets are recognised only to the extent that they are more likely than not to be recovered.

Exchange Rates

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

Exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services provided.

2. TURNOVER

	2002	2001
	£	£
Sales excluding VAT:		
External customers	25,488,418	36,742,966
Group Undertakings	4,565,170	2,818,440
	<u>30,053,588</u>	<u>39,561,406</u>

3. SEGMENTAL INFORMATION

Sales by destination	2002		Total £
	Continuing activities £	Discontinued activities £	
United Kingdom	6,422,615	9,709,720	16,132,335
Other European	7,713,767	2,028,885	9,742,652
North America	1,785,288	7,056	1,792,344
Other	2,378,708	7,549	2,386,257
	18,300,378	11,753,210	30,053,588

Sales by destination	2001		Total £
	Continuing activities £	Discontinued activities £	
United Kingdom	2,031,230	16,930,212	18,961,442
Other European	8,638,364	6,510,584	15,148,948
North America	3,671,451	7,984	3,679,435
Other	1,757,166	14,415	1,771,581
	16,098,211	23,463,195	39,561,406

By Business Sector	2002 Sales £	2002 Operating loss before exceptionals £	2002 Exceptional operating expenses £	2002 Operating loss after exceptionals £
Continuing activities				
Automotive components	3,287,756	(3,572,856)	(544,787)	(4,117,643)
Technical products	15,012,622	541,991	(133,702)	408,289
	18,300,378	(3,030,865)	(678,489)	(3,709,354)
Discontinued activities				
Automotive components	11,753,210	(1,312,546)	-	(1,312,546)
Technical products	-	-	-	-
	11,753,210	(1,312,546)	-	(1,312,546)
Total	30,053,588	(4,343,411)	(678,489)	(5,021,900)

	2001 Sales £	2001 Operating loss before exceptionals £	2001 Exceptional operating expenses £	2001 Operating profit after exceptionals £
Continuing activities				
Automotive components	2,592,626	(4,129,244)	-	(4,129,244)
Technical products	13,505,585	(2,182,780)	-	(2,182,780)
	16,098,211	(6,312,024)	-	(6,312,024)
Discontinued activities				
Automotive components	23,463,195	1,006,113	-	1,006,113
Technical products	-	-	-	-
	23,463,195	1,006,113	-	1,006,113
Total	39,561,406	(5,305,911)	-	(5,305,911)

4. EXCEPTIONAL ITEMS

During the year the company closed the automotive hose production facility at Trowbridge in the United Kingdom and transferred that business to overseas subsidiaries. The transfers including the intellectual property generated a profit on disposal of £7,935,000. The loss on closure of the United Kingdom operations was £5,988,000. Other exceptional costs of £678,489 were incurred on the reorganisation and rationalisation of the continuing activities.

Operating costs included distribution costs of £387,980 (2001 £633,392) and administrative costs of £189,693 (2001 £294,136) relating to the closed operation. None of the other operating income came from the closed operation.

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	1,359,971	2,243,366
Finance leases	(4,932)	5,976
	<u>1,355,039</u>	<u>2,249,342</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation on tangible fixed assets	1,697,769	2,110,663
Auditors' remuneration	59,740	65,901
Research and development	1,116,607	737,002
Operating leases - plant and machinery	190,800	169,286
- other	230,460	479,221
Loss on foreign exchange	<u>40,494</u>	<u>10,414</u>

7. TAXATION

a) Analysis of credit in year

	2002	2001 (restated see note 19)
	£	£
Current tax		
Corporation tax at 30.0% (2001 30.0%)	-	1,290,728
Adjustments in respect of previous periods	843,681	(439,464)
Irrecoverable ACT	(248,357)	-
	<u>595,324</u>	<u>851,264</u>
Deferred taxation		
Origination and reversal of timing differences	712,813	1,332,900
Adjustments in respect of previous periods	(703,264)	-
	<u>604,873</u>	<u>2,184,164</u>

b) Factors affecting current tax charge

	2002	2001
	£	£
Loss on ordinary activities before taxation	<u>4,387,768</u>	<u>7,429,055</u>
Loss on ordinary activities at the UK tax rate 30% (2001 30%)	1,316,330	2,228,717
Expenses not deductible for tax purposes	(22,500)	(324,545)
Accelerated capital allowances and other timing differences	(712,812)	(613,445)
Group relief not paid	(581,018)	-
Irrecoverable ACT	(248,357)	-
Adjustment in respect of previous period	843,681	(439,463)
Current tax credit for the year	<u>595,324</u>	<u>851,264</u>

c) Deferred taxation

	2002 Provided £
As brought forward	975,831
Prior year adjustment (see note 18)	(1,585,804)
As brought forward restated (see note 14)	(609,973)
Credited to profit and loss account	(9,549)
Carried forward at 30 September 2002	<u>(619,522)</u>

	2002	2001
	Provided £	Provided £
	Amount Unprovided £	Amount Unprovided £
Capital allowances	458,654	2,020,52
Losses	(2,556,542)	(3,606,324)
Short term timing differences	1,478,366	975,83
(Asset)/liability	<u>(619,522)</u>	<u>(609,973)</u>

8. EMPLOYEES

Staff costs during the year were:	2002	2001
	£	£
Wages and salaries	12,179,515	14,869,286
Social security costs	1,117,645	1,401,975
Other pension costs	192,851	141,865
	13,490,011	16,413,126
Average number of employees:	2002	2001
	£	£
Automotive Components	250	375
Technical Products	224	274
Mixing	60	60
	534	709
<u>Directors' remuneration:</u>	2002	2001
	£	£
Emoluments (including benefits in kind)	277,936	256,328
Emoluments (excluding pension contributions) include amounts paid to:		
Highest paid director:	2002	2001
	£	£
Aggregate emoluments	98,648	99,148
Defined benefit pension scheme		
Accrued pension at end of year	49,324	47,666

The emoluments of Messrs C L Martin, T K P Stead, S J Stone and S J Willcox are paid by the parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of Messrs C L Martin, T K P Stead, S J Stone and S J Willcox.

Retirement benefits are accruing to all directors under the group defined benefit scheme.

9. PENSIONS

The company is a participating member of the Avon Rubber p.l.c. Group Pension Scheme which is a contributory defined benefits plan to provide pension and death benefits for the company's employees. The assets of the plan are held in separate trustee administered funds. The trustee is Avon Rubber Pension Trust Limited.

Members' contributions are at an agreed rate and the balancing cost is provided by the company on the advice of an independent actuary. The most recent actuarial valuation of the plan at 1 April 2000 showed that the assets were sufficient to cover the defined benefits accruing to members, allowing for future increases in earnings. The pension cost to the company was £192,851 (2001 £141,865). A prepayment of £4,927,888 (2001 £3,252,888) is included in the company balance sheet representing the excess of the amount funded over the accumulated pension cost.

The Pension scheme is managed on a group basis, with contributions being determined at a group level rather than at company level. Accordingly, it is not possible to determine the market value of the schemes assets and actuarial liabilities attributable to the employees of the company. Therefore, the company is unable to separately present the disclosures set out in the transitional arrangements of FRS 17 ('Retirement benefits'). However, these disclosures have been presented in respect of the pension scheme as a whole in the report and accounts of the ultimate parent company, Avon Rubber

10. TANGIBLE ASSETS

	Short Leaseholds £	Plant and Machinery £	Total £
Cost:			
At 30 September 2001	57,188	31,999,110	32,056,298
Additions at cost	-	261,109	261,109
Inter company transfers	-	(1,810,957)	(1,810,957)
Disposals	-	(8,466,578)	(8,466,578)
At 30 September 2002	<u>57,188</u>	<u>21,982,684</u>	<u>22,039,872</u>
Depreciation:			
At 30 September 2001	23,101	19,068,508	19,091,609
Charge for the year	2,859	1,694,910	1,697,769
On inter company transfers	-	(1,155,801)	(1,155,801)
On disposals	-	(7,116,799)	(7,116,799)
At 30 September 2002	<u>25,960</u>	<u>12,490,818</u>	<u>12,516,778</u>
Net book value at 30 September 2002	<u>31,228</u>	<u>9,491,866</u>	<u>9,523,094</u>
Net book value at 29 September 2001	<u>34,087</u>	<u>12,930,602</u>	<u>12,964,689</u>
		2002	2001
		£	£
Net tangible assets comprise:			
Owned assets		9,426,741	12,668,647
Leased assets		65,125	261,955
Short Leasehold		31,228	34,087
		<u>9,523,094</u>	<u>12,964,689</u>
Depreciation for the year comprises:			
Owned assets		1,616,735	1,977,262
Leased assets		78,175	130,542
Short Leasehold		2,859	2,859
		<u>1,697,769</u>	<u>2,110,663</u>

11. FINANCIAL COMMITMENTS

	2002 £	2001 £
Capital expenditure committed	59,620	155,590

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

The annual commitments for non-cancellable operating leases expiring in the given time periods were:

	Land & Buildings		Other assets	
	2002	2001	2002	2001
	£	£	£	£
Within one year	-	-	41,146	48,112
In 2 - 5 years	-	300,000	66,548	232,002
Over 5 years	-	65,000	-	-
	-	365,000	107,694	280,114

12. INVESTMENTS

	£
Unlisted group undertakings at cost	20,703,250
Amounts written off to reflect diminution in value	(5,570,269)
At 29 September 2001 and 30 September 2002	15,132,981

Name	Percentage of Shareholding
Avon-Ames Limited	51%
Avon Vibration Management Systems Limited	100%
Avon Group Technical Services Limited	100%
Avon Inflatables (Cowes) Limited	100%
Cow Polymers Limited	100%

All shareholdings are ordinary shares.

All of the above companies are incorporated in Great Britain.

The activities of Avon-Ames Limited and Avon Vibration Management Systems Limited are the manufacture and distribution of rubber and other polymer based products. All other subsidiaries are dormant.

13. STOCKS

	2002 £	2001 £
Raw materials	851,437	1,299,021
Work in progress	311,962	707,843
Finished goods	1,384,202	1,449,680
	2,547,601	3,456,544

14. DEBTORS

	2002 £	2001 (restated see note 19) £
Amounts falling due within one year:		
Corporation tax	2,797,454	1,932,939
Deferred tax	619,522	609,973
Advance corporation tax recoverable	-	248,357
Trade debtors	2,489,683	5,525,810
Amount owed by group undertakings	29,726,839	23,264,289
Amounts owed by joint ventures	-	44,609
Other debtors	354,642	640,892
Prepayments and accrued income	85,208	158,386
	36,073,348	32,425,255
Amounts falling due after more than one year		
Pension fund prepayment	4,927,888	3,252,888
	41,001,236	35,678,143

15. CREDITORS

	2002 £	2001 £
Amounts falling due within one year:		
Bank overdrafts	29,695,924	23,769,163
Trade creditors	2,263,394	3,193,117
Finance leases	14,122	32,185
Amounts owed to group undertakings	3,022,054	5,034,282
Other taxation and social security payable	240,184	205,131
Other creditors	563,829	1,934,915
Accruals and deferred income	639,726	268,713
	36,439,233	34,437,506
Amounts falling due after more than one year:		
Finance leases up to 5 years	14,899	33,053

The total value of leases repayable by instalments, any part of which falls due after more than 5 years is nil (2001 Nil).

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £	Reorganisation Provision £	TOTAL £
At 30 September 2001	(975,831)	(68,000)	(1,043,831)
Prior year adjustment	975,831	-	975,831
At 30 September 2001 as restated	-	(68,000)	(68,000)
Payments in the year	-	4,163,489	4,163,489
Credited/(charged) to P&L account	-	(5,461,489)	(5,461,489)
At 30 September 2002	-	(1,366,000)	(1,366,000)

The reorganisation provision is in respect of the exceptional operating expenses set out in note 4.

17. SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted, called up and fully paid: 36,367,717 ordinary shares of £1 each	36,367,717	36,367,717

18. RESERVES

	Profit and Loss Account £
At 30 September 2001	(3,782,231)
Prior year adjustment (see note 19)	1,585,804
At 30 September 2001 as restated	(2,196,427)
Current year loss	(3,782,895)
At 30 September 2002	(5,979,322)

The prior year adjustment is represented by the elimination of a deferred tax provision of £975,831 (note 16) and the establishment of a deferred tax asset of £609,973 (note 14).

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2002 £	2001 £
Opening shareholders' funds as previously stated	32,585,486	38,887,828
Prior year adjustment	1,585,804	528,353
Opening shareholders' funds restated	34,171,290	39,416,181
Loss for the financial year	(3,782,895)	(5,244,891)
Closing shareholders' funds	30,388,395	34,171,290

The adoption of FRS 19 has resulted in a prior period adjustment of £1,585,804 in provisions for liabilities and charges (See note 7). The effect of this change in accounting policy is a reduction in the overall charge of £512,049 (2001 £1,057,451).

20. CONTINGENT LIABILITIES

A cross guarantee arrangement exists between the company and other group companies in relation to overdraft facilities. At the year end the company had no liability under this arrangement.

The company has unconditionally guaranteed the liabilities of Avon Rubber and Plastics Inc. in respect of its US \$25,500,000 private debt placement

21. RELATED PARTIES

The company has taken advantage of the dispensation permitted under FRS8, Related Party Transactions, not to disclose transactions or balances with other group companies.

22. ULTIMATE CONTROLLING PARTY

The immediate parent company and ultimate controlling party is Avon Rubber p.l.c., incorporated in Great Britain and registered in England and Wales. Consolidated accounts incorporating the results of the company are prepared by Avon Rubber p.l.c. only and no other intermediate holding company. Copies of the consolidated financial statements may be obtained from Avon Rubber p.l.c., Manvers House, Kingston Road, Bradford on Avon, Wiltshire.