	2003	2002
TURNOVER	£248.5m	£250.5m
TOTAL OPERATING PROFIT BEFORE GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS	£11.2m	£11.1m
TOTAL OPERATING PROFIT	£10.5m	£3.7m
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	£7.7m	£7.0m
PROFIT/(LOSS) BEFORE TAXATION	£7.7m	£(1.5m)
EARNINGS PER SHARE BEFORE GOODWILL AMORTISATION AND EXCEPTIONAL ITEMS	22.9p	18.3p
BASIC EARNINGS/(LOSS) PER SHARE	20.3p	(5.7p)
DIVIDENDS PER ORDINARY SHARE	8.0p	7.5p

NOTE: Management believes that reporting results before goodwill amortisation and exceptional items provides a better comparison of underlying business performance for the year.

AVON KNOWLEDGE ADDS VALUE.

OUR EXPERTISE WITH COMPLEX ELASTOMERIC COMPOUNDS GIVES OUR CUSTOMERS' PRODUCTS A TECHNOLOGICAL AND PERFORMANCE ADVANTAGE AND THEREFORE A COMPETITIVE EDGE –

MAKING A MATERIAL DIFFERENCE.

WE HAVE RESTRUCTURED AND REFOCUSSED THE BUSINESS, BUILDING STRONG FOUNDATIONS UPON WHICH AVON CAN CONTINUE TO MAKE A MATERIAL DIFFERENCE.

In my statement last year, I predicted that our markets would remain challenging, but steps had been taken to position the Group for progress through a reduced cost-base and Group-wide product development initiatives. I am pleased to report that these measures are beginning to deliver the expected results.

As forecast, there were strong sales in the second half of the year of military respirators, flexible storage tanks and skirt systems for US Navy hovercraft. These required some additional working capital – in particular for respirators. However, the increased sales contributed to a significant improvement in profit for the year for the Technical Products Division.

The European automotive market has remained soft, but the "Centres of Excellence" structure is now in place with a focus on future sales growth, in particular with German Original Equipment Manufacturers (OEMs). The operating benefits expected from the transfer of the former Trowbridge business to mainland European factories have been achieved, although significantly higher pension and insurance costs have eroded the savings.

The North American Automotive division, in spite of the fact that the "Big 3" (Ford, DaimlerChrysler and General Motors) have lost market share to the "new domestic" manufacturers this year, has been able to meet sales expectations by increasing sales to other Tier 1 and Tier 2 customers. The reduction in operating profit reflected the lower level of activity in the second half of the year and launch costs for the Orizaba water hose plant in Mexico and for CADbar 9000 low emission fuel hoses.

On 21 November 2003 Avon Technical Products announced the disposal of the French subsidiary Avon Spencer Moulton SA to NOVA Participations SAS for a total cash consideration of €4.7 million.

RESULTS

Total operating profit for the year before amortisation of goodwill of £0.7 million (2002: £0.6 million) was £11.2 million (2002: £11.1 million before exceptional charges) and £10.5 million (2002: £3.7 million) after exceptional items and goodwill. There were no exceptional charges this year. After a net interest charge of £2.8 million (2002: £3.4 million), Group profit before tax was £7.7 million (2002: loss of £1.5 million) on a turnover of £248.5 million (2002: £250.5 million).

At the half year we reported a small increase in net debt but indicated that we expected borrowings to resume their downward trend in the second half. We achieved our short-term target of reducing gearing to below 50%. The general reduction in interest rates, combined with a more flexible international borrowing package, has resulted in an 18% reduction in net interest charges and an increase in interest cover. We have made the second scheduled repayment under the terms of our fixed interest US private placement by using lower cost facilities available to the Group.

Capital expenditure during the year included upgrading the sprinkler systems at a number of locations as part of our enterprise risk management programme. Other major capital investment projects have provided increased capacity in our Mexican water hose facility and initial production capability for the North American respirator programme.

TREVOR BONNER CBE CHAIRMAN

As planned, increased working capital was necessary to support the higher level of sales of military related products and to underpin the launch of the Milk-Rite brand of advanced technology dairy rubberware in the UK, France, Ireland and Germany.

While the dollar weakened against sterling during the year, which reduced year on year profit before tax by £0.5 million, the stronger euro enabled UK operations to take advantage in home and export markets.

The taxation rate for the Group reduced to 28% (2002: 40% before exceptional items) and earnings per share before exceptional items improved from 16.0p to 20.3p.

DIVIDEND

The Board has recommended a final dividend of 4.5p per share which will be paid on 30 January 2004 to shareholders on the register at 16 January 2004. When added to the interim dividend of 3.5p per share, the total dividend is 8.0p per share, an increase of 6.7%.

EMPLOYEES

Our employees have been most supportive while we restructured and refocussed the business. This includes the enthusiastic contribution to improvements which are being put in place under the "Six Sigma Breakthrough" initiative.

Following a sharp rise in the cost of funding the UK Defined Benefit Pension Scheme, the arrangement for future service for existing members was changed. In addition, the scheme was closed to new entrants and replaced with a Defined Contribution scheme.

Improved safety performance was evident in the UK where reportable accidents have continued on a downward trend and in North America, the Cadillac division has received a "Safety & Health Improvement Program" award from the Rubber Manufacturers' Association. The program only recognises improvements of at least 10% and this is the third consecutive year that the Cadillac division has received this award.

OUTLOOK

We have continued to develop the two exciting growth areas we highlighted at the time of our interim statement in May, our water hose facility in Orizaba, Mexico and the new generation respirators. We expect to see progressive benefits from the Orizaba operation this financial year and from the new generation respirators from 2005 onwards.

We face some uncertainties with exchange rate movements, particularly in respect of the US dollar. However, we are well positioned for any economic improvement being reflected in higher demand in the automotive market, although the timing of this remains uncertain.

We expect the strong demand for our military related products to continue into 2004 and look to benefit progressively from our repositioning in the European dairy market.

We will continue to pursue our strategic direction and to focus on operational efficiency and cash generation to deliver enhanced shareholder value.

TREVOR BONNER CBE CHAIRMAN

STEVE WILLCOX CHIEF EXECUTIVE

THIS YEAR HAS SEEN THE CONTINUATION OF OUR STRATEGY TO CREATE VALUE. THIS EXTENDS FAR BEYOND MATERIALS EXPERTISE AND PRODUCTION CAPABILITY.

As well as the operating review which follows, I would like to give you a brief insight into some other aspects of the business which are integral to Avon's capacity for making a material difference.

STEVE WILLCOX CHIEF EXECUTIVE

From left to right

SIMON WRIGHT GROUP HR DIRECTOR
"Adopting a shared approach to making the business successful involves the engagement of employees through involvement and transparency."

JANINE JONES GROUP PURCHASING DIRECTOR
"Effective purchasing means harnessing global purchasing power, while recognising the importance of maintaining strong relationships with suppliers locally."

RAY BARKER DIRECTOR – BUSINESS EXCELLENCE STRATEGY
"Constantly evaluating and improving how we do things is the fundamental principle behind Avon's business excellence strategy."

BUSINESS EXCELLENCE

Application of lean manufacturing principles and practices across the group has been intensified this year with the introduction of an education programme in techniques for waste reduction and efficiency improvement. This programme is to be rolled out to employees worldwide and complements our Six Sigma and Kaizen programmes.

One particularly noteworthy achievement this year was that our new water hose facility in Orizaba, Mexico has achieved the Ford Motor Company's quality standard Q101:2002. This is the first given to any company in the state of Veracruz and is a universally recognised benchmark for both performance and systems.

It is our stated aim that by the end of 2004, all facilities will be accredited to the environmental management systems standard ISO 14001. This year I am delighted to say that every factory in the automotive division and the major technical products plants are now certified and we are on course to achieve our stated goal across the Group.

EFFECTIVE PURCHASING

At Avon, we apply a "total cost of acquisition" approach, leveraging our volumes across the Group through the implementation and management of global supply contracts. We work in co-operation with our strategic suppliers, pooling expertise to arrive at the best solutions.

While traditional negotiation methods remain important, our emphasis is focussed on material cost re-engineering. We take a "no holds barred" approach to driving out cost by seeking alternative materials, processes and designs, suppliers and sources of origin, as well as all opportunities for rationalisation and standardisation to secure the benefits that critical mass provides.

By taking this more holistic approach, we have been able to mitigate the significant increases in feedstock costs which have been influenced by crude oil price rises, as a consequence of the Iraq crisis. Indirect expenditure has also been reduced following the successful application of Six Sigma principles and significant purchasing support has been invested in the JSGPM mask programme.

EMPOWERING OUR PEOPLE

The launch of the "Breakthrough Programme" last year signalled the start of a strategy which encourages employees to think differently and embrace change.

To support this, we have restructured the three operating divisions to ensure that simplified, clear reporting frameworks are in place. In addition, we have consolidated our global grade structure, aligning salary ranges and benefits worldwide to deliver a robust reward framework which also enables us to benchmark against other companies.

To ensure that managers' skills are continuously upgraded, all Senior Management participate in a Performance Management Process (PMP) which rewards achievement of objectives and performance against desired management values. This is supported by the "Avon University" which, as well as providing intranet-based interactive coaching, includes a Global Leadership Programme which provides the most promising executives with an exceptional opportunity for self development.

PREPARED FOR THE FUTURE

AVON RECOGNISES THAT HAVING AN EYE FOR NEW TECHNOLOGIES AND MARKETS IS THE KEY TO FUTURE SUCCESS.

NORTH AMERICAN AUTOMOTIVE

The year to the end of September 2003 has seen a continued reduction in North American market share held by the "Big 3" (Ford, General Motors and DaimlerChrysler) due to an influx of "new domestics" from Japan and Europe. Our Detroit Sales Office has focussed on this new area of business and is pleased to report some early successes with windscreen washer assemblies and drain hoses for Mitsubishi and increased business with Nissan's Mississippi plant through Tier 1 suppliers.

Supply of additional products to Nissan has contributed to the success of the coolant hose plant in Orizaba, Mexico, where significant expansion is anticipated during the next 3 years. Many new products have been launched at the plant this year and in the period May to September 2003 a reject rate of zero parts per million has been recorded by our customers.

EUROPEAN AUTOMOTIVE

The "Centres of Excellence" structure is fully implemented and working well, allowing good ideas and solutions to circulate among specialists, facilitating a better working relationship with existing and potential customers.

The divisional headquarters in Hanover, Germany, has been concentrating on building business with the German OEMs. Initial results have been encouraging.

There has been strong sales growth at Avon Flexo in Spain following the success of NBR PVC fuel hoses. These relatively low cost hoses have a nitrile exterior and PVC interior and offer good sealing properties when joined to other hoses. They more than meet current European fuel emission level requirements which are less stringent than those in America where the more sophisticated CADbar® product is the favoured hose.

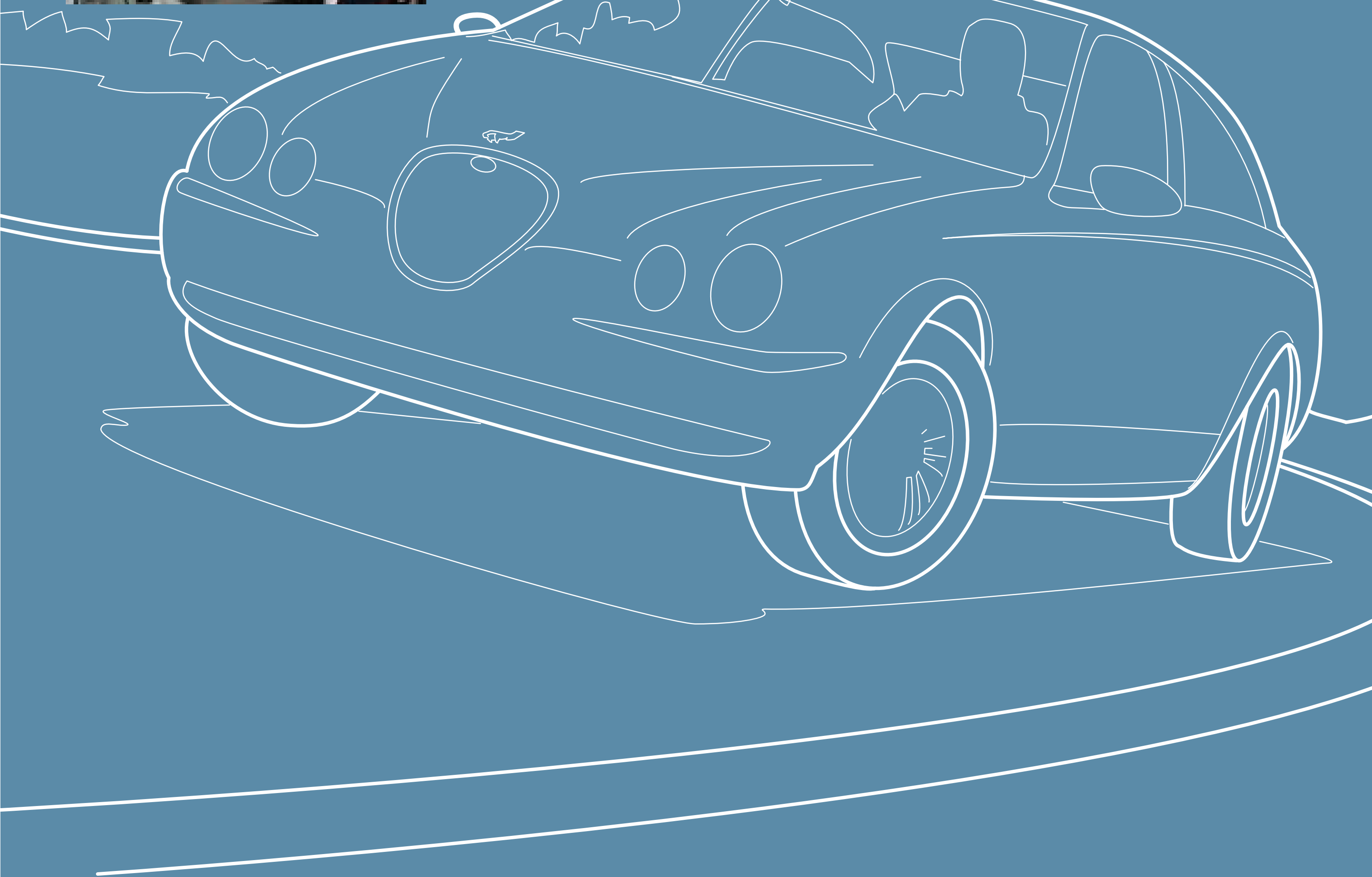
TECHNICAL PRODUCTS

Avon Technical Products are focussing on improved processes and innovative product solutions. The results of these actions are showing through with improved profit margins. The flagship factory at Hampton Park West is now benefitting from earlier investment and is a profitable, efficient, world class operation.

Avon has for many years supplied respirators to police forces around the world, but recent increased interest in domestic preparedness has prompted the development of new opportunities in the wider market for emergency first responder teams.

2003 saw the launch of "Purerseal™" - a range of new aerosol gaskets and seals designed specifically for the food, pharmaceutical and cosmetics industries.

Seals technology is also being applied on a larger scale to examine the feasibility of products relating to changes in the environment – in particular flood protection.



EXCEEDING CUSTOMER REQUIREMENTS

ACHIEVING CUSTOMER CONFIDENCE IS ALL ABOUT GOING THAT EXTRA MILE.

EUROPEAN AUTOMOTIVE

February 2003 marked the completion of the Rapid Prototyping Centre in Hanover, Germany. This facility provides rapid prototype hose products to support automotive sales throughout the European customer base. The Centre is capable of designing and casting tools and making parts within days rather than weeks, providing a service to existing and potential customers.

In April 2003, Toyota presented Avon Automotive with a certificate of achievement in recognition of Avon's expertise in cost management. Avon supplies Toyota with fuel hoses from Spain, air ducts from France, and Avon Polímeros in Portugal is Toyota's sole supplier in Europe of coolant hose. Avon Polímeros, having taken on a significant part of the volumes previously manufactured at Trowbridge, is now a benchmark for operating efficiency in our European Automotive division.

NORTH AMERICAN AUTOMOTIVE

Avon's long standing relationship with Ford Motor Company was rewarded this financial year with a coveted Silver World Excellence Award, recognising Avon as one of Ford's top suppliers in the world in 2002.

This relationship was further strengthened during the year when Avon was approached to develop a safety critical component as a fitment to the fuel tanks of Ford Interceptor police cars. The product was designed, developed and tested within a fortnight. Over 300,000 component sets were manufactured and fitted to vehicles across America in a matter of weeks.

TECHNICAL PRODUCTS

Significant military spending has led to strong sales at Bell Avon in Picayune, Mississippi, USA, thanks to its ability to meet urgent deadlines. This factory supplies skirts for LCAC (Landing Craft Air Cushion) military hovercraft and flexible tanks which are used to store water and fuel.

Our Technical Products and Automotive divisions work together to ensure the best solution for customers' needs. Our automotive plant in Juarez, Mexico, assembles high quality cleaning blades for business machines on behalf of Avon Zatec in Massachusetts, taking advantage of low labour costs and duty free imports and exports within North America. This successful project has allowed Zatec to maintain the supply of parts to customers against strong competition. One such part has been produced at this location for over a year with zero quality or delivery concerns. Production of three additional parts started in October 2003.

Avon Ames has also enjoyed increased sales in Europe following the transfer of developer roller manufacture in 2002 to our automotive factory in the Czech Republic.

PROVIDING PRODUCTS WITH A DIFFERENCE

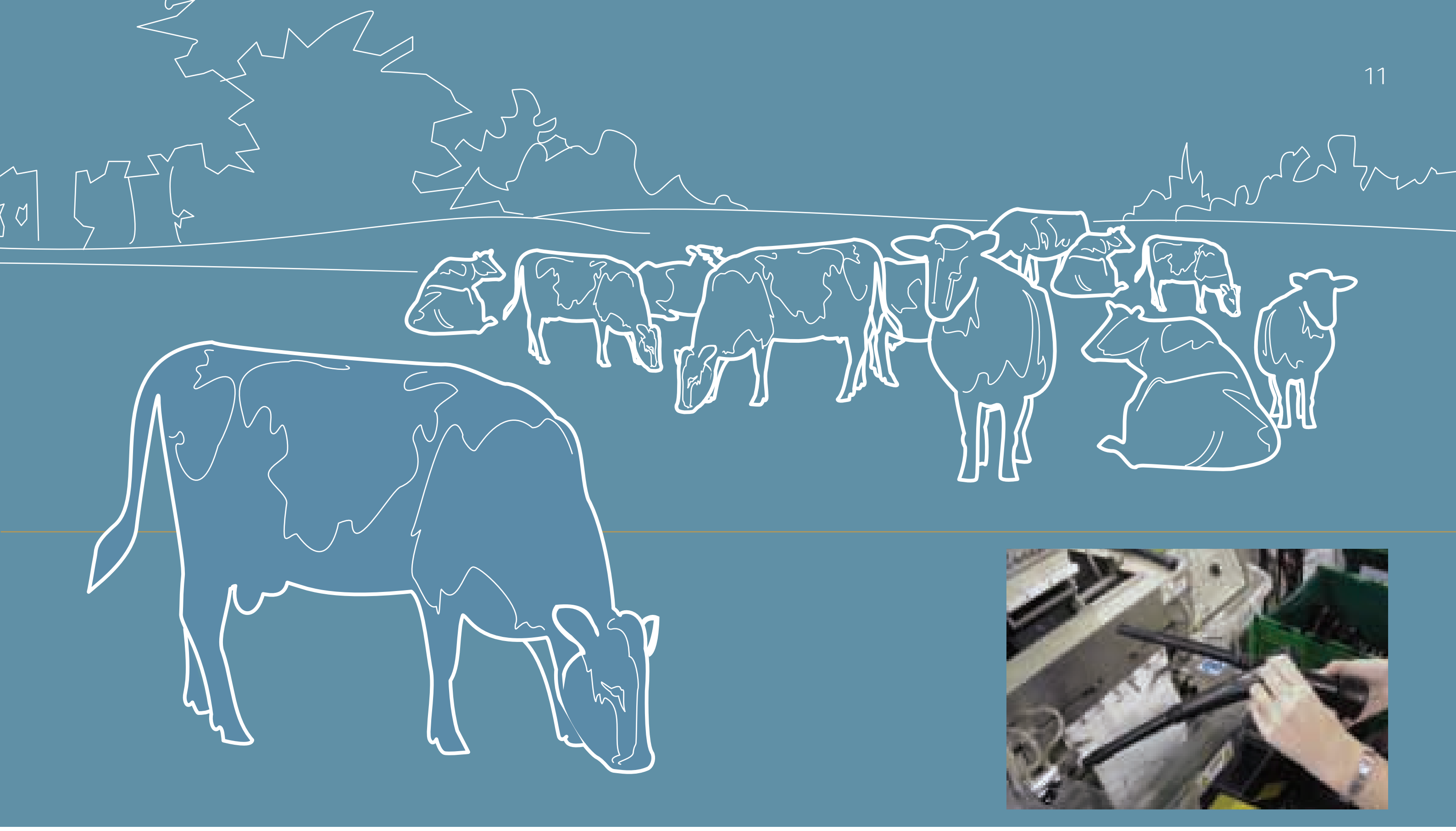
BY CONTINUING TO DEVELOP SPECIALIST EXPERTISE IN CHOSEN TECHNOLOGIES TO PRODUCE INNOVATIVE NEW PRODUCTS.

TECHNICAL PRODUCTS

September 2003 saw the launch of Milk-Rite in Europe consolidating Avon's position as the world's largest supplier of dairy rubberware. Milk-Rite is already a popular brand in the US dairy market and the European launch offers farmers and distributors high technology products which improve cow health and milk quality, as well as increasing milk yield. These products are the result of Avon's research into liner life and milkstone build-up which resulted in a paper at the British Mastitis conference and a well received lecture at The Dairy Event at Stoneleigh Park, Warwickshire. This further strengthened Avon's reputation as an authority on the relationship between milk liners and cow health.

The Product Definition and Risk Reduction phase of the JSGPM programme to develop a new respirator for the US military is progressing well and is on schedule for completion in May 2004. Subject to final approvals, production is scheduled to start in 2005 and new facilities are being set up in Cadillac, Michigan.

Avon's current range of masks which protect against Chemical, Biological, Radiological and Nuclear threats are still much in demand. The FM12 respirator meets the required criteria for the "US Homeland Security Initiative" resulting in increased sales to police and first responders in the USA.



EUROPEAN AUTOMOTIVE

Avon Vibration Management Systems in Chippenham, England, progressed well. The company specialises in the development and manufacture of high technology anti-vibration systems designed to reduce vehicle vibration and therefore noise.

The active engine mount system, Vibramount®, is unique to Avon VMS and continuously monitors and reduces vibration. The first vehicle to be fitted with the Vibramount is scheduled to start production in 2006 and there has been great interest among other carmakers to whom the product has been demonstrated.

In addition, a new dual active mount system uses patented technology to reduce vibration transmitted to the driver's seat. The mount is already fitted to the Audi A8 and sales for 2004 onwards have been secured with other carmakers.

NORTH AMERICAN AUTOMOTIVE

Reducing vehicle noise is also a major concern of car manufacturers in North America. Our Manton plant in Michigan, is working with the Materials Development Centre in England to design air ducts which decrease the level of noise caused by air passing from the filter to the engine.

CADbar® 9000 continues to show excellent progress and the order book is strong. These environmentally friendly hoses meet the stringent LEV II vehicle emission regulations and are designed to last for the life of the vehicle.

WE ARE NOW REALISING THE BENEFITS FROM IMPROVEMENTS IN TECHNICAL PRODUCTS AND MOVES TO LOWER COST AREAS.

The Group continued its steady progress through the year. The improvement in our Technical Products division was helped by the increased demand for military related products. North American Automotive has seen a softening in the market, particularly for the "Big 3" domestic automotive producers, but benefitted from a short-term project for one of our major customers in the first half year. The water hose project in Orizaba, Mexico, continues on plan and we are beginning to see the results of our efforts to increase business with the "new domestic" producers. In European Automotive we can identify the benefits of transferring manufacturing from Trowbridge to our facilities in Portugal and the Czech Republic, however these benefits were largely offset by substantial increases in insurance and UK pension costs.

We have also remained focussed on cash generation and this is reflected in a reduction in our borrowings of £3.0 million in the full year and £5.4 million in the second half. We have now achieved our first goal of reducing gearing to below 50%.

TURNOVER

Group turnover was down £2.0 million in 2003 at £248.5 million (2002: £250.5 million).

North American automotive sales were down £4.4 million at £76.3 million (2002: £80.7 million). The reduction due to currency changes was £6.6 million. We saw a weakening in demand, particularly for the traditional "Big 3" domestic producers. The growth of our water hose facility in Orizaba, Mexico, was very encouraging, where sales in the second half of the year were at more than twice the level during the same period in the previous year and we would expect a similar level of growth in 2004. In Europe, total automotive sales were down by £1.6 million at £103.9 million (2002: £105.5 million), with UK sales down by £12.2 million and Continental European sales up only £10.6 million despite the positive effect of the stronger euro exchange rate of £5.5 million. This reflects, in part, the continued transfer of work from the UK and in particular the impact of the closure of Trowbridge. Overall the European market was weak and we were impacted by severe pricing pressures.

In Technical Products, sales increased by £4.0 million to £68.3 million (2002: £64.3 million). European sales at £38.8 million (2002: £31.9 million) were up £6.9 million. We benefitted from a substantial increase in demand for military related products, although this was partially offset by reduced demand from a major business machine components customer. In North America sales decreased to £29.5 million (2002: £32.4 million) due to a negative exchange effect from the weaker dollar of £2.5 million. Sales at both Hi-Life and Zatec were relatively flat, with Bell Avon showing gains in military related sales.

In the following summaries, 2002 figures have been restated at 2003 rates of exchange for comparative purposes.

By business sector, the turnover is analysed as follows:

£ Million	2003	2002*	%Change
Automotive	**180.2**	184.8	(2.5)
Technical Products	**68.3**	62.7	8.9
Total	**248.5**	247.5	0.4

*Restated at 2003 rates of exchange

TERRY STEAD FINANCE DIRECTOR

By origin the analysis is as follows:

£ Million	2003	2002*	%Change
Europe	**142.7**	143.3	(0.4)
North America	**105.8**	104.2	1.5
Total	**248.5**	247.5	0.4

*Restated at 2003 rates of exchange

OPERATING PROFIT

Overall, total operating profit before exceptional items increased by £0.1 million to £10.5 million (2002: £10.4 million), and by £6.8 million after exceptional items (2002: £3.7 million).

Operating expenses increased to £34.1 million (2002: £30.3 million before exceptional items), which included increases in insurance and UK pension costs totalling £2.8 million. Gross profit was £3.8 million higher at £44.6 million (2002: £40.8 million) despite lower sales, reflecting the benefits of increased use of our lower labour cost facilities and the higher proportion of Technical Products sales. Gross profit was 17.9% of sales compared to 16.3% in 2002. We continued to see price-down pressures in automotive markets and, although this is not expected to change in the near future, our automotive businesses are structured to accommodate this challenge.

We have seen the benefits of transferring much of our European Automotive manufacturing from the UK to areas of lower labour costs. We expect similar benefits from our growing water hose facility in Orizaba, Mexico. The rapid growth of this operation has required the expected level of substantial start up costs. We are now focussed on achieving the planned profitability from this sales growth.

In September 2003 we launched the Milk-Rite dairy brand in Europe. We already benefit from this aftermarket operation in North America, supplying advanced technology products closer to the point of final use. The costs of the European launch were taken in the year.

By origin, the total operating profit is analysed as follows:

£ Million	2003	2002*	%Change
Europe	**2.4**	2.1	14.3
North America	**8.1**	7.7	5.2
Total	**10.5**	9.8	7.1

*Restated at 2003 rates of exchange and before exceptional items.

By business sector the analysis of total operating profit is as follows:

£ Million	2003	2002*	%Change
Automotive	**3.3**	4.2	(21.4)
Technical Products	**7.2**	5.6	28.6
Total	**10.5**	9.8	7.1

*Restated at 2003 rates of exchange and before exceptional items.

PROFIT BEFORE TAXATION

The Group profit before taxation has increased to £7.7 million (2002: £7.0 million before exceptional items; loss of £1.5 million after exceptional items) and represents a return on sales of 3.1% compared with 2.8% in 2002 on a published basis.

TAXATION

The taxation charge of £2.1 million represents an effective rate of 28% compared with 40% (before exceptional items) in 2002. This reflects the restructuring of our Group and the way in which business flows now occur. At present our business in Orizaba has tax losses which have not been recognised. We expect to start generating profits at this plant in the near future.

TREASURY POLICY AND EXCHANGE RATES

The Group uses various types of financial instruments to manage its exposure to market risks which arise from its business operations. The main risks continue to be movements in foreign currency and interest rates.

The Group's exposure to these risks is managed by the Finance Director who reports directly to the Board.

The Group faces currency exposure on its overseas subsidiaries and is exposed in particular to changes in the US dollar, the euro and the Czech crown.

Each subsidiary company hedges significant transactional exposure by entering into forward exchange contracts for known sales and purchases.

The Group reports trading results of overseas companies based on average rates of exchange compared with sterling over the year. The profit and loss translation exposure is not hedged as this is an accounting rather than a cash exposure.

The balance sheets of overseas companies are included in the consolidated balance sheet based on the local currencies being translated at the closing rates of exchange. The balance sheet translation exposure has been partially hedged by matching either with foreign currency borrowings within the subsidiaries or with foreign currency borrowings which are held centrally.

At the year-end the operating asset exposure was 79% hedged (2002: 72%).

As a result of the remaining balance sheet exposure after hedging, the Group was exposed to the following:

- 1% movement in the US dollar: impact £0.05 million
- 1% movement in the Euro: impact £0.06 million
- 1% movement in the Czech crown: impact £0.07 million

The exposure to interest rate fluctuations is protected by obtaining fixed rates of interest. The Group's policy is to keep between 25% and 75% of its borrowings at a fixed rate of interest. The level is intended to lower the impact of a 1% change in interest rate to less than 0.2% of Group turnover.

The Group had 26% of its borrowings fixed at the year-end (2002: 31%). The impact of a 1% shift in interest in the various currencies is summarised below (at year-end exchange rates).

Sterling	:	£0.01 million
Euro	:	£0.19 million
US dollar	:	£0.14 million
Czech crown	:	£0.03 million

The combined impact would represent less than 0.15% of Group turnover.

PENSIONS

At the end of the year we had a net pensions deficit on an FRS 17 basis of £15.4 million (2002: £21.7 million).

Marking assets to market and using a variable long-term bond rate for discounting (in accordance with FRS 17) makes it difficult to establish a meaningful long-term valuation of pension funds and to provide a relevant measure of future long-term exposure to the fund. With no change in the discount rate of 5.75% from last year, the movement from last year is accounted for by the increase in the market value of the assets and some changes to assumptions to reflect current practice.

We estimate that a 1% movement in the long-term discount rate will have an impact of approximately £32 million on the valuation of liabilities and that a 1% movement in equities will have an impact of about £1.4 million on the funds assets. Short-term fluctuations are likely to continue to have a significant impact on the valuation of what are long-term assets and liabilities. Current predictions are that interest rates are likely to increase. This will impact upon the discount rate and help to reduce the deficit. The impact of the volatility of the short-term fluctuations is indicated in the chart below and by mid November the net deficit was estimated to have reduced to approximately £7 million.

Ongoing Funding Ratio (FRS 17 Basis)

Note: The above graph is approximate. It reflects approximate stock movements and interest rate changes. It is designed to give a broad picture of funding changes and should not be relied upon for other uses.

Source : Hewitt Bacon & Woodrow

As part of our normal risk management we review our investment strategy and have evaluated benefits. Our objective is to minimise the volatility of the fund. In this regard, we closed the defined benefit scheme to new entrants from 1 February 2003. We also offered members the option to increase their contributions to maintain the current accrual rate or to maintain their contributions with a lower accrual rate. Over 80% opted to maintain their current accrual rate, with the increase in contributions starting in July 2003.

CASHFLOW

The main features in the cash flow this year were as follows:

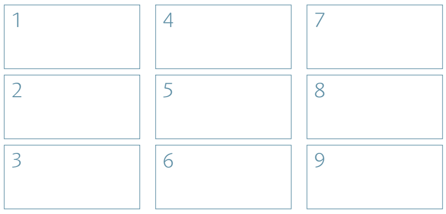
	£ Million
Net debt at end of 2002	(41.0)
Net cash inflow from operating activities	19.6
Capital expenditure & financial investment	(9.4)
Interest and dividends	(4.6)
Taxation	(1.8)
Other cash flows	(0.8)
Net debt at end of 2003	(38.0)

Capital investment in 2003 totalled £8.3 million (2002: £5.1 million). Capital expenditure represented 87% of the depreciation charge for 2003 of £9.5 million (2002: 49% of £10.4 million). The increase has been due to: a £2.2 million spend on sprinkler systems to minimise insurance costs, investment to support the development of our Orizaba coolant hose facilities and commencement of investment in the JSGPM project in North America.

The ratio of trading working capital as a percentage of turnover increased to 13% in 2003 compared with 11% in 2002. This was driven by some planned inventory increases to support growth opportunities and higher year-on-year September sales.

Overall, net debt reduced by £3.0 million (2002: £11.9 million) reducing gearing to 46%. Our net interest charge also reduced by £0.6 million to £2.8 million (2002: £3.4 million) reflecting lower average borrowings, a reduction in higher rate private placement debt and lower short-term dollar, euro and sterling interest rates.

BOARD OF DIRECTORS



1
TREVOR BONNER CBE
CHAIRMAN

Aged 60. A chartered accountant, he was appointed to the Board in 1994 and became Chairman in February 2001. A former Executive Director of GKN plc, and a former President of CLEPA (the European Association of Automotive Suppliers) he is a Non-Executive Director of LDV Limited and Chairman of the Advisory Board of TMD Friction Verwaltungs GmbH. He was made a CBE in the 1996 Birthday Honours List.

2
STEVE WILLCOX
CHIEF EXECUTIVE

Aged 57. He was appointed to the Board in 1991 as the Director responsible for Avon's polymer interests in Europe, becoming Chief Executive on 1 January 1995. An honours graduate of Durham University, he first joined Avon in 1968 as a graduate trainee, moving in 1973 to a personnel and training role in the pharmaceutical industry. He returned to Avon in 1977 as Personnel Director of our Melksham operations. From May 2000 until May 2002 he was President of the British Rubber Manufacturers' Association.

3
TERRY STEAD
FINANCE DIRECTOR

Aged 54. He joined the company in 1998 and was appointed to the Board in October 1998. An honours graduate from Bristol University, he qualified as a chartered accountant with KPMG. He was Group Finance Director of How Group plc until the take-over of that company by Tilbury Douglas in June 1998, having previously worked for several years with Lucas Industries plc in a number of senior finance roles.

4
BRIAN DUCKWORTH
NON-EXECUTIVE DIRECTOR

Aged 54. An accountant, Mr Duckworth was appointed to the Board in May 2002. He is Managing Director of Severn Trent Water Limited and a Director of Severn Trent plc. He is also a Non-Executive Director of Aquafin N.V. in Belgium and Redrow plc. He has been with Severn Trent since 1974 and his experience has covered asset management, customer relations, engineering, sales, marketing and communications, health and safety and environmental services.

5
STEVE STONE
EXECUTIVE DIRECTOR

Aged 53. He was appointed to the Board in 1995 having previously been Managing Director of Avon Automotive Components. He is now responsible for Avon's Technical Products Division, the European mixing unit and the Materials Development Centre in Westbury, Wiltshire. A graduate chemist and a Fellow of the Institute of Materials, he is Vice Chairman of the Wiltshire and Swindon Learning and Skills Council.

6
ERIC PRIESTLEY
DEPUTY CHAIRMAN &
SENIOR INDEPENDENT DIRECTOR

Aged 61. He was appointed to the Board in 1998 and became Deputy Chairman and Senior Independent Director in 2001. He was based in the United States as Chief Operating Officer of Jefferson Smurfit Corporation and was previously the President and Chief Executive of Rexam Inc. He was formerly a Director of Redland PLC and of Rexam PLC. He holds a number of Non-Executive appointments including the Chairmanship of Lynx Express Limited, Wastelink Group and Weir Holdings Limited.

7
LEE RICHARDS
EXECUTIVE DIRECTOR

Aged 39. He was appointed to the Board in September 2001 and is responsible for Avon's North American Automotive Operations. He joined Avon in 1987 in Cadillac, Michigan, and had appointments in both sales and operations management in Detroit and New York State. In 1996 he returned to Cadillac as Vice President of Operations and in 1998, became Managing Director of Avon's North American Automotive Operations. He holds a BS in Marketing and an MBA.

8
DETLEV BARTELS
EXECUTIVE DIRECTOR

Aged 48. He joined the Avon Group as Director of European Automotive Operations in 2001 and was appointed to the Board in May 2002. He joined Avon from Dura Automotive Systems, where he was responsible for the Global Business Operations for the gear shift division. He holds a bachelor's degree in electronics and a degree in mechanical engineering and business administration. He is based at the European Headquarters in Hanover.

9
NEIL CARSON
NON-EXECUTIVE DIRECTOR

Aged 46. He was appointed to the Board in 2001. He is a Director of Johnson Matthey plc and Managing Director of the Catalysts and Chemicals and Precious Metals Divisions. These contain Johnson Matthey's Auto Catalyst and Fuel Cell businesses. He has been with Johnson Matthey since 1980.

COMMITTEES OF THE BOARD

The Chairman and the Non-Executive Directors are the members of the Remuneration Committee, the Audit Committee and the Nominations Committee. Mr T.C. Bonner is the Chairman of all the Committees except for the Remuneration Committee, of which Mr G.T.E. Priestley is Chairman.

DIRECTORS' REPORT
for the year ended 30 September 2003

1 The Directors submit the one hundred and thirteenth annual report and audited financial statements of the Company and Group for the year ended 30 September 2003.

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 £7,670,000 (2002: £7,019,000). The Group profit for the year after taxation and minority interests amounts to £5,446,000 (2002: loss £1,571,000). An interim dividend of 3.5p per share (2002: 3.5p) was paid on 27 June 2003.
The Directors recommend a final dividend of 4.5p per share (2002: 4.0p) making a total of 8.0p per share for the year to 30 September 2003 (2002: 7.5p). Full details are set out in the profit and loss account on page 29.
The total distribution of dividends for the year to 30 September 2003 is £2,131,000 (2002: £2,031,000).

3 DIRECTORS
The names of the Directors as at 15 December 2003 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. The Board is satisfied that Mr. G.T.E. Priestley, Mr. N.A.P. Carson and Mr. B. Duckworth are independent Non-Executive Directors.

Mr. S.J. Willcox, Mr. G.T.E. Priestley and Mr. N.A.P. Carson retire by rotation and being eligible, offer themselves for re-election.

In accordance with governance requirements with regard to the re-election of Non-Executive Directors, the Chairman draws shareholders' attention to the Directors' profiles relating to Mr. G.T.E. Priestley and Mr. N.A.P. Carson on page 16 of this report. Mr. G.T.E. Priestley and Mr. N.A.P. Carson combine skills, experience and commitment which contribute substantially to the performance of the Board and its committees and the Chairman gives his full support to their offer of re-election.

Mr. S.J. Willcox has a service contract with the Company requiring one years notice of termination, subject to retirement at age 60.

4 SUBSTANTIAL SHAREHOLDINGS
At 28 November 2003, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Schroder Investment Management Limited	15.93%
Deutsche Asset Management Limited	12.98%
M&G Investment Management Limited	4.60%
Henderson Global Investors	4.49%
Avon Rubber Employee Share Ownership Trust	4.13%
SG Asset Management	3.96%

5 ACQUISITION OF OWN SHARES
The Company funded the purchase of 400,000 of its own ordinary shares of £1 each through an Employee Share Ownership Trust for a consideration of £708,000 to enable it to meet awards made under the Performance Share Plan, subject to the performance criteria being met. This brought the total holding to 1,150,000 shares which represents 4.13% of the current issued share capital. As approved at the last annual general meeting the Company has authority to purchase up to 4,173,591 shares subject to certain terms and conditions.

6 POLITICAL AND CHARITABLE CONTRIBUTIONS
No political contributions were made during the year. Contributions for charitable purposes amounted to £22,000 (2002: £20,000) consisting exclusively of numerous small charitable donations.

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 2003, the number of days purchases outstanding at the end of the financial year for the Group was 59 days (2002: 54 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 21 days (2002: 55 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 North 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 2003

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).

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.

It is the policy of the Group to ensure that, by the end of 2004, all operating sites will be certified to the Environmental Management Systems Standard ISO 14001. Currently, only three sites remain to complete certification.

12 POST BALANCE SHEET EVENT

Details of the post balance sheet event are disclosed in note 31 to the accounts on page 56.

13 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 December 2003

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.

The provisions of the Combined Code were revised and published in July 2003 ("the Revised Code"). The Revised Code applies to listed companies with effect from reporting years beginning on or after 1 November 2003 and hence was not applicable to the Company during the reporting year. The Company is a "Smaller Company" for the purposes of the Revised Code and in consequence certain provisions of the Revised Code do not apply to the Company. Also, under the Revised Code a Smaller Company may judge that some provisions of the Revised Code are disproportionate or less relevant in its case.

The Company has complied throughout the year with the provisions of the Combined Code and has decided to adopt from 1 January 2004 certain provisions of the Revised Code as are referred to below.

This statement will address separately three main subject areas of the Combined Code namely the Board, Relations with shareholders and Accountability and audit. Directors remuneration is dealt with in the Remuneration Report on pages 21 to 26.

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 Chairman, three independent Non-Executive Directors ("the 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 recognises the special position and role of the Chairman under the Revised Code.

One of the roles of the Non-Executive Directors under the leadership of the Chairman 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. All Directors receive induction on joining the Board. 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 and all Directors have access to the Company Secretary.

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. The members of the committees comprise the Chairman and all the Non-Executive Directors. In the light of the Revised Code, the Non-Executive Directors have expressed a strong wish that the Chairman should remain a member of each of the Audit and Remuneration Committees and that he also should remain Chairman of the Audit Committee at least for the foreseeable future. The Non-Executive Directors regard the Chairman as adding significant value to the deliberations of these Committees. The Nominations Committee is 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 decide on remuneration policy on behalf of the Board 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 three times a year. The meetings are also attended by representatives of the Group's external auditors and such of the Executive Directors as are appropriate to the items under discussion. The Group Internal Auditor attends at least two meetings a year. 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 external 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. The committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process.
The committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors.

MEETINGS DURING YEAR ENDED 30 SEPTEMBER 2003

Nature of meeting	Number of meetings	Attendance (Full in each case except as stated)
Full Board	8	21 Oct 2002 - B. Duckworth D. Bartels 24 July 2003 - G.T.E. Priestley
Remuneration Committee	6	21 Oct 2002 - B. Duckworth 23 July 2003 - G.T.E. Priestley
Nominations Committee	1	
Audit Committee	3	18 Nov 2002 - B. Duckworth 08 May 2003 - N.A.P. Carson

Copies of the terms of reference of the Nominations, Remuneration and Audit Committees and the terms and conditions of appointment of the Non-Executive Directors are available from the Company Secretary on request.

CORPORATE GOVERNANCE continued

Statement of compliance with the Combined Code

2 RELATIONS WITH SHAREHOLDERS

We regard communications with shareholders as extremely important. In terms of published materials the Company issues detailed annual report 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. Annual general meetings provide a venue for the shareholders to meet new Non-Executive Directors in addition to any other meetings shareholders may request.

The Non-Executive Directors having considered the Revised Code with regard to relations with shareholders are of the view that it is most appropriate for the shareholders to have regular dialogue with the Executive Directors. However, should shareholders have concerns, which they feel cannot be resolved through normal shareholder meetings, the Non-Executive Directors may be contacted upon request to the Company Secretary.

At the annual general meeting on 22 January 2004, the Board will be following the recommendations in the Revised 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.

3 ACCOUNTABILITY AND AUDIT

The Combined Code requires 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 and the Audit Committee has responsibility to review, monitor and make policy and recommendations to the Board upon all such matters.

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 a base in the U.K. 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 continued to be reviewed and strengthened as part of the Board's ongoing response to the guidance contained within the Turnbull Report.

- A Risk Management Steering Group is in place which includes in its membership three Executive Directors. Its remit is to introduce an 'Enterprise Risk Management' approach to the Group's analysis of risk to ensure that risks identified by the Board or by the business units are being analysed and actions introduced to eliminate, minimise, control or transfer the risk (or the effect thereof) as appropriate.

- 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 includes a whistle-blowing procedure whereby individuals may raise concerns in matters of financial reporting or other matters with the Audit Committee which will ensure independent investigation and follow up action.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 meets at least three times a year with management and external auditors to review specific accounting, reporting and financial control matters, and at least twice a year with the internal auditor. This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

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 and Group have 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.

REMUNERATION REPORT
for the year ended 30 September 2003

Part 1 of this Report sets out the Company's remuneration policies for the Directors for the year ending 30 September 2004. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed in future reports. Part 2 sets out audited details of the remuneration received by Directors during the year ended 30 September 2003.

PART 1. REMUNERATION POLICIES (NOT SUBJECT TO AUDIT)

EXECUTIVE DIRECTORS

Remuneration Committee
The Remuneration Committee is responsible for developing remuneration policy for the Executive Directors and for determining their individual packages and terms of service. To ensure consistency with the arrangements for other management levels, the Remuneration Committee is also responsible for the remuneration packages of key senior executives and for monitoring salary scales and incentive arrangements across all management levels.

The Committee normally meets at least three times a year and currently comprises Mr. G.T.E. Priestley (Chairman), Mr. T.C. Bonner, Mr. B. Duckworth and Mr. N.A.P. Carson who each served throughout the year. The Chief Executive and the Group Human Resources Director, Mr. S.D. Wright, are invited to attend meetings except when matters relating to their own remuneration arrangements are discussed. The Committee also uses external professional advisers. Towers Perrin are the Committee's remuneration consultants and provide advice primarily on competitive market levels and on the performance-related elements of the Executive Directors' arrangements. Towers Perrin also provide administration services to the Company's employee share trust. Hewitt Bacon & Woodrow, the Company's pension scheme actuaries, provide the Committee with information on executive pension arrangements when required. Linklaters, the Company's appointed legal advisers, provide legal advice when required.

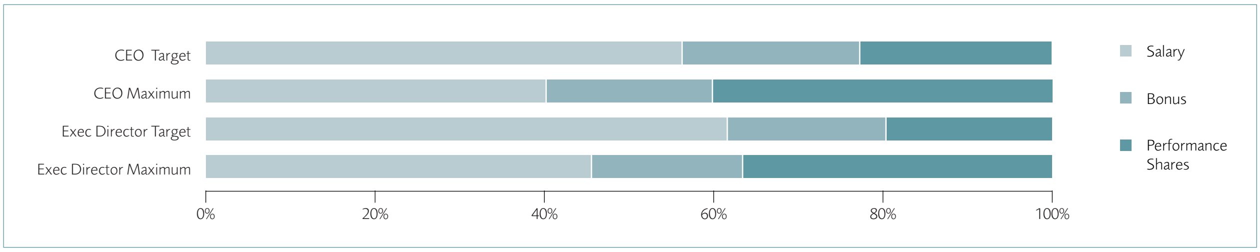
Guiding Policy
The Remuneration Committee's aim is to ensure that the structure of the Executive Directors' remuneration supports the achievement of the Company's performance objectives and, in turn, increased shareholder value.

The Company's guiding policy on Executive Directors' remuneration, is that:

- the Executive Directors' remuneration package should take into account the linkage between pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical success factor in the setting of incentives, whether in the shorter or the longer term; and
- the overall level of salary, incentives, pension and other benefits should be competitive when compared with other manufacturing companies of a similar size and global spread.

Remuneration Elements
The Executive Directors' remuneration comprises four elements: annual salary; short-term bonus; longer-term performance shares; and benefits (including pension). In line with the Company's emphasis on performance-related pay, bonus payments are dependent on the Company's annual financial performance, while the receipt of performance shares is dependent on enhanced relative returns to shareholders over a three-year period. The arrangements are similar for other senior executive team members. The following table illustrates the proportion of variable pay to base salary for the Chief Executive and other Executive Directors assuming target or maximum performance related pay.

Proportion of Performance Related Pay to Salary



Salary
In setting salary levels, the Remuneration Committee considers the experience and responsibility of the Executive Directors and their personal performance during the previous year. The Committee also takes account of salary levels within other companies of a similar size and global spread, as well as the rates of increases for other employees within the Company. The Remuneration Committee reviews salaries with effect from January each year. Given general business conditions for the Company in January 2003, the Chief Executive elected to defer his salary increase. Following a review by the Remuneration Committee, he received an increase of 4.35% as from July 2003 (with no backdating).

Annual Bonus
The Executive Directors' annual bonus arrangements are focused on the achievement of the Company's short-term financial objectives. Before the start of each year, the Remuneration Committee sets financial performance targets for the year. These are designed to be stretching and are normally based on two equal measures, profit before tax and cash flow. The maximum bonus potential is 50% of salary for the Chief Executive and 40% of salary for the other Executive Directors. Bonus payments are not pensionable.

REMUNERATION REPORT continued

for the year ended 30 September 2003

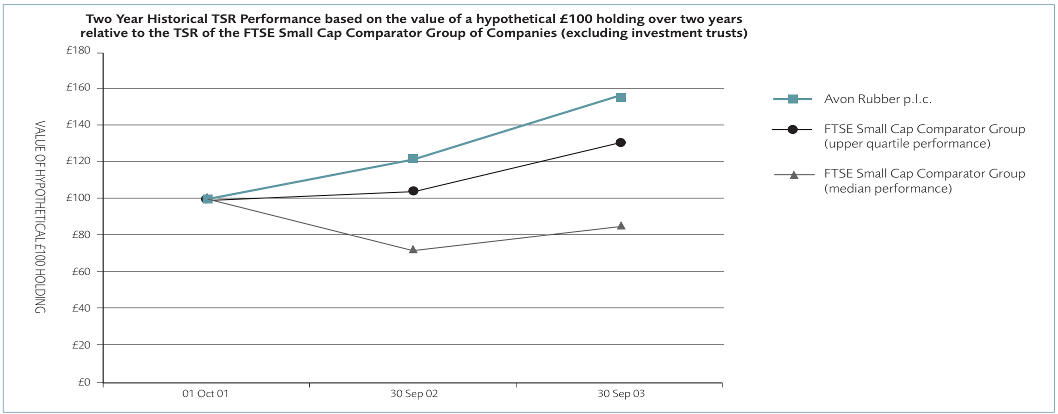
Performance Share Plan

The Remuneration Committee introduced this Plan, with shareholder approval at the AGM in 2002 with effect from 1 October 2001, to motivate Executive Directors and other senior executives to achieve performance superior to the Company's peers and to deliver sustainable improvements in shareholder returns. This is reflected in the Plan's performance condition which compares the total return received by the Company's shareholders in terms of share price growth and dividends (total shareholder return or "TSR") over a period of time with the total returns received by shareholders in companies within a pre-determined and appropriate comparator group.

Under the Plan, Executive Directors and a limited number of other senior executives receive conditional share awards (which may be in the form of nil-cost options) in respect of the Company's shares. The actual number of shares that each participant receives depends on the Company's TSR performance over a three-year period compared to the TSR performance within a comparator group comprising the FTSE smallcap index, excluding investment trusts.

- If the Company delivers a total return to shareholders over the three-year period that is below the median TSR of the comparator group, no shares will vest.
- If the Company's TSR performance is equal to the median TSR of the group, 40% of the shares will vest.
- 100% of the shares will vest if the Company delivers a total return to shareholders that is equal to, or exceeds, the upper quartile TSR of the group.
- For TSR performance between the median and upper quartile, shares will vest on a pro-rata basis.

This schedule reflects the Remuneration Committee's intention to reward only TSR performance which outperforms the comparator group. In addition no shares vest unless the Remuneration Committee is satisfied that the underlying financial performance of the Company justifies vesting. The graph below shows the Company's relative performance for the first two years' of the 2001/2 cycle.



The maximum value that can be granted under the Plan in any year is 100% of salary. It is the Remuneration Committee's current intention that, as before, only the Chief Executive should receive the maximum conditional grant, with the other Executive Directors receiving lower levels.

Before the introduction of the Performance Share Plan, the Company operated other long-term incentive schemes. Details of outstanding awards held by Executive Directors under these schemes are set out on pages 25 and 26.

Pension and other benefits

The existing Executive Directors who are based in the UK (Mr. S.J. Willcox, Mr. T.K.P. Stead and Mr. S.J. Stone) are members of the Senior Executive Section of the Avon Rubber Retirement and Death Benefits Plan. This provides members with a defined level of benefit on retirement depending on length of service and earnings. Subject to Inland Revenue limits, members can receive a pension of up to two-thirds of pensionable salary on retirement at 60, (Directors' basic salaries are the only pensionable element of their remuneration packages) provided the minimum service requirement of 20 years has been met. In respect of pay received above Inland Revenue limits, Mr. T.K.P. Stead receives an annual payment of 58% of salary above the earnings cap. UK based Executive Directors, like all members, are required to make contributions to the scheme. Non-UK based Executive Directors have payments made by the Company on their behalf to defined contribution pension schemes.

In line with Company policy for new employees in the UK, any UK based Executive Directors joining the Company with effect from 1 February 2003 will be offered defined contribution arrangements.

Executive Directors are entitled to participate in employee healthcare plans. Directors are also entitled to receive a car allowance and related expenses and UK based Directors are entitled to participate in the Company's Sharesave Option Scheme, which is open to all UK employees with three months' continuous service.

Contracts

The Remuneration Committee reviewed each Executive Director's contract during the year. Where there were provisions relating to notice periods or termination payments in respect of 24 months, each of the Executive Directors concerned agreed to a reduction to 12 months with effect from September 2003 without any compensation being paid.

The Company's new policy is that Executive Directors should normally be employed on a contract which may be terminated either by the Company or the Executive giving 12 months' notice and which otherwise expires on retirement (currently 60). The Company may terminate the contract early without cause by making a payment in lieu of notice by monthly instalments of salary and benefits to a maximum of 12 months, with reductions for any amounts received from providing services to others during this period.

The Remuneration Committee may vary these terms if the particular circumstances surrounding the appointment of a new Executive Director demand it. The Remuneration Committee strongly endorses the obligation on an Executive Director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded.

The UK-based directors' contracts contain early termination provisions consistent with the policy outlined above. Mr. L.J. Richards has a US contract which provides that, on involuntary termination, he is entitled to continuation of salary and benefits for 12 months, with reductions to take account of salary and benefits earned from new employment. Mr. L.J. Richards agreed during the year to the removal of enhanced change in control provisions relating to continued payments and benefits over 24 months without compensation. Mr. D. Bartels has a contract under which there are no pre-determined compensation amounts in the event of early termination in accordance with German practice.

The table below summarises key details in respect of each Executive Director's contract.

	Contract date	Years to expiry	Company notice period (previous)	Company notice period (current)	Executive notice period
S.J. Willcox	26 September 2003	3	24 months	12 months	12 months
D. Bartels	4 September 2001	– *	12 months	12 months	12 months
L.J. Richards	2 November 2001 as amended 30 September 2003	21	12 months (24 in the event of takeover)	12 months	12 months
T.K.P. Stead	26 September 2003	6	24 months	12 months	12 months
S.J. Stone	26 September 2003	7	24 months	12 months	12 months

* Mr. D. Bartels' contract does not contain a specified retirement date.
Mr. R.A. Hunt retired on 29 November 2002 and his contract was terminated accordingly.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

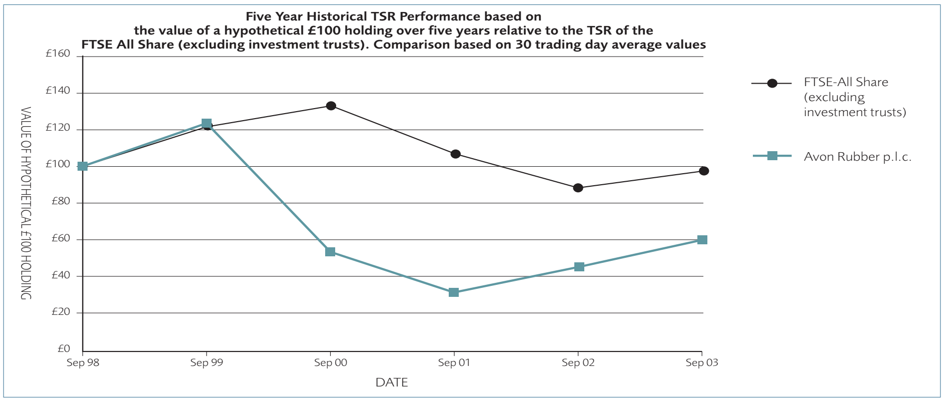
The Chairman and Non-Executive Directors receive a fixed fee for their services. Fee levels are determined by the Board in light of market research and advice provided by Hanson Green, which also provides services in connection with the proposed recruitment of new Non-Executive Directors. Fee levels are reviewed from time to time. The Chairman and the Non-Executive Directors do not participate in any Board discussions or vote on their own remuneration.

The Chairman and the Non-Executive Directors each have a letter of appointment which specifies an initial appointment of five years. Their appointment is subject to Board approval and election by shareholders at the AGM following appointment and, thereafter, re-election by rotation every three years. There are no provisions for compensation payments on early termination in the Non-Executive Directors' letter of appointment. The date of each appointment is set out below, together with the date of their last re-election.

	Date of initial appointment	Date of last re-election
T.C. Bonner CBE (Appointed Chairman 8 Feb 2001)	5 September 1994	23 January 2003
N.A.P. Carson	15 May 2001	4 February 2002
B. Duckworth	14 May 2002	23 January 2003
G.T.E. Priestley	1 February 1998	4 February 2002

PERFORMANCE GRAPH

As required by regulations on directors' remuneration, the following graph illustrates the total return, in terms of share price growth and dividends, on a notional investment of £100 in the Company over the last five years relative to the All Share Index.



REMUNERATION REPORT continued

for the year ended 30 September 2003

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
T.C. Bonner CBE	7,500	7,500
D. Bartels	–	–
N.A.P. Carson	2,000	2,000
B. Duckworth	6,000	6,000
G.T.E. Priestley	12,000	12,000
L.J. Richards	2,609	109
T.K.P. Stead	8,383	8,383
S.J. Stone	14,005	14,005
S.J. Willcox	46,108	46,108

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 and Mr. T.K.P. Stead had an interest in the shares held by the Quest at 30 September 2003. At that date 127,578 shares were held in the Quest (2002: 136,578 shares).

The register of Directors' interests contains details of Directors' shareholdings and share options.

There were no movements in Directors' shareholdings between the end of the financial year and 15 December 2003.

PART 2. DETAILS OF REMUNERATION (AUDITABLE INFORMATION)

The following information has been audited by the Company's auditors PricewaterhouseCoopers LLP, as required by Schedule 7A to the Companies Act 1985.

Directors' emoluments

	Basic salary & fees £'000	Other * benefits £'000	Annual bonus £'000	Total emoluments excluding pensions 2003 £'000	Total emoluments excluding pensions 2002 £'000	Pension ** contributions 2003 £'000	Pension ** contributions 2002 £'000	Total emoluments including pensions 2003 £'000	Total emoluments including pensions 2002 £'000
Directors holding office throughout 2002 and 2003									
S.J. Willcox (highest paid director)	221	21	27	**269**	290	**–**	–	**269**	290
T.K.P. Stead	136	40	14	**190**	187	**–**	–	**190**	187
S.J. Stone	146	17	36	**199**	196	**–**	–	**199**	196
T.C. Bonner CBE (Chairman)	50	–	–	**50**	50	**–**	–	**50**	50
G.T.E. Priestley (Deputy Chairman)	25	–	–	**25**	25	**–**	–	**25**	25
L.J. Richards	125	12	14	**151**	161	**56**	58	**207**	219
N.A.P. Carson (Non-Executive)	25	–	–	**25**	25	**–**	–	**25**	25
Total 2003	728	90	91	**909**	–	**56**	–	**965**	–
Total 2002	682	112	140	**–**	934	**–**	58	**–**	992
Appointments & resignations									
R.A. Hunt (retired 29.11.02)	20	17	45	**82**	186	**–**	–	**82**	186
D. Bartels (from 14.5.02)	160	8	8	**176**	67	**20**	7	**196**	74
B. Duckworth (Non-Executive) (from 14.5.02)	25	–	–	**25**	10	**–**	–	**25**	10
Total 2003	933	115	144	**1,192**	–	**76**	–	**1,268**	–
Total 2002	897	121	179	**–**	1,197	**–**	65	**–**	1,262

* Other benefits are described in Part 1 on page 22.
** 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 2003 (2002: 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	T.K.P. Stead
Accrued entitlement as at 30 September 2003	£132,382p.a.	£85,779p.a.	£16,662p.a
Increase in accrued entitlement over the period	£7,272p.a.	£3,644p.a.	£3,515p.a
Contributions paid by each Director over the period	£13,288	£8,749	£5,891
Transfer value at 30 September 2002	£1,643,738	£893,535	£145,207
Transfer value at 30 September 2003	£2,015,592	£1,072,250	£212,668
Increase in the transfer value over the year (net of Director's contributions)	£358,566	£169,966	£61,571
Increase in accrued entitlement over the period (excluding inflation of 1.7%)	£5,145p.a.	£2,248p.a.	£3,292p.a.
Transfer value of increase in accrued pension (net of Director's contributions)	£65,049	£19,348	£36,231

The accrued entitlement 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 2003 was £82,973 (2002: £77,415).

Performance Share Plan 2002 ("the 2002 Scheme")

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 TSR relative to the TSR of a comparator group, comprising the FTSE small cap companies (excluding investment trusts).

A list of the number of shares under option granted at nil cost, prior to 1 December 2003, to Executive Directors and senior employees, following approval of the 2002 Scheme by shareholders, is set out below:-

	Total option awards outstanding	Granted 2002/3 (for the qualifying period ending 30 Sep 2005)	Granted 2001/2 (for the qualifying period ending 30 Sep 2004)
D. Bartels	**192,031**	77,131	114,900
L.J. Richards	**163,203**	62,018	101,185
T.K.P. Stead	**166,262**	67,368	98,894
S.J. Stone	**189,572**	75,000	114,572
S.J. Willcox	**363,347**	143,750	219,597
Other senior employees	**372,659**	147,435	225,224

The market price at the award date (9 December 2002) for the 2002/3 award was 154.5 pence (2001/2 award 99.5 pence).

Executive share option scheme

	Number of options at 30 Sep 02	Granted during the year	Exercised during the year	**Number of options at 30 Sep 03**	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

REMUNERATION REPORT continued

for the year ended 30 September 2003

Sharesave option schemes

	Number of options at 30 Sep 02	Granted during the year	Lapsed during the year	**Number of options at 30 Sep 03**	Exercise price (£)	Exercisable during 6 months commencing
S.J. Willcox	8,474	–	–	**8,474**	1.00	April 2005
	–	751	–	**751**	1.33	July 2006
S.J. Stone	1,322	–	(1,322)	**–**	–	–
	1,060	–	–	**1,060**	5.01	April 2003
	5,092	–	–	**5,092**	1.00	April 2005
	–	2,781	–	**2,781**	1.33	July 2006
T.K.P. Stead	8,474	–	–	**8,474**	1.00	April 2005
	–	751	–	**751**	1.33	July 2006

No Directors' options were exercised during the year.

As at 30 September 2003, other employees held options over 1,110,353 ordinary shares, exercisable between 2003 and 2010, at option prices ranging from £1.00 to £5.79.

All options are over ordinary shares of £1 each.

As at 30 September 2003, the market price of Avon Rubber p.l.c. shares was £1.94 (2002: £1.46). During the year the highest and lowest market prices were £2.10 and £1.08 respectively.

Executive share incentive scheme 1996

All options under the Executive share incentive scheme 1996 have lapsed.

The Remuneration Report has been approved by the Board of Directors and signed on its behalf by:

G.T.E. Priestley
Chairman of the Remuneration Committee
15 December 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 30 September 2003

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;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

P.J. Fairbairn, Secretary
Bradford on Avon, Wiltshire
15 December 2003.

INDEPENDENT AUDITORS' REPORT

for the year ended 30 September 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON RUBBER p.l.c.

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out in the notes to the accounts. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ('the auditable part').

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. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable parts of the directors' remuneration report 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 whether the financial statements and the auditable parts of the directors' remuneration report have been 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 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. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial reviews and the corporate governance statement.

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 of the Financial Services Authority, 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 and the auditable part of the directors' remuneration report. 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 and the auditable part of the directors' remuneration report 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 2003 and of the profit and cash flows of the Group for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
15 December 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2003

	Note	2003 Total £'000	2002 Before exceptional items £'000	2002 Exceptional items £'000	2002 Total £'000
Turnover	2	**248,507**	250,509	–	250,509
Cost of sales		**(203,922)**	(209,739)	–	(209,739)
Gross profit		**44,585**	40,770	–	40,770
Net operating expenses (including £681,000 (2002: £626,000) goodwill amortisation)	3	**(34,138)**	(30,349)	(6,701)	(37,050)
Operating profit		**10,447**	10,421	(6,701)	3,720
Share of profits of joint venture and associate	4	**45**	21	–	21
Total operating profit including joint venture and associate	2	**10,492**	10,442	(6,701)	3,741
Loss on disposal of fixed assets		**–**	–	(1,205)	(1,205)
Loss on disposal of operations		**–**	–	(568)	(568)
Profit on ordinary activities before interest		**10,492**	10,442	(8,474)	1,968
Interest receivable	5	**181**	609	–	609
Interest payable	5	**(3,003)**	(4,032)	–	(4,032)
Profit/(loss) on ordinary activities before taxation	6	**7,670**	7,019	(8,474)	(1,455)
Taxation	7	**(2,116)**	(2,810)	2,500	(310)
Profit/(loss) on ordinary activities after taxation		**5,554**	4,209	(5,974)	(1,765)
Minority interests		**(108)**	194	–	194
Profit/(loss) for the financial year		**5,446**	4,403	(5,974)	(1,571)
Dividends	8	**(2,131)**	(2,031)	–	(2,031)
Retained profit/(loss) for the financial year	26	**3,315**	2,372	(5,974)	(3,602)
Earnings/(loss) per ordinary share	9				
Basic		**20.3p**			(5.7)p
Before exceptional items		**20.3p**	16.0p		
Before goodwill amortisation and exceptional items		**22.9p**	18.3p		
Diluted		**19.2p**			(5.7)p

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

There is no material difference between the profit/(loss) as stated above and that calculated on an historical cost basis.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 September 2003

	Note	2003 £'000	2002 £'000
Profit/(loss) for the year		**5,446**	(1,571)
Net exchange differences on overseas investments	26	**1,330**	768
Total gains/(losses) for the year		**6,776**	(803)
Prior year adjustment		**–**	(2,688)
Total gains/(losses) since last annual report		**6,776**	(3,491)

The prior year adjustment relates to the adoption of FRS 19 (Deferred Tax) in 2002.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 30 September 2003

	2003 £'000	2002 £'000
Opening shareholders' funds as previously stated	**76,083**	81,605
Prior year adjustment	**–**	(2,688)
Opening shareholders' funds restated	**76,083**	78,917
Profit/(loss) for the year	**5,446**	(1,571)
Dividends	**(2,131)**	(2,031)
Net exchange difference on overseas investments	**1,330**	768
Closing shareholders' funds	**80,728**	76,083

The prior year adjustment relates to the adoption of FRS 19 (Deferred Tax) in 2002.

CONSOLIDATED BALANCE SHEET
at 30 September 2003

	Note	£'000	2003 £'000	£'000	2002 £'000
Fixed assets					
Intangible assets	12		**14,375**		13,107
Tangible assets	13		**92,208**		93,306
Investments	15		**595**		914
			107,178		107,327
Current assets					
Stocks	18	**20,611**		19,210	
Debtors – amounts falling due within one year	19	**47,538**		42,200	
Debtors – amounts falling due after more than one year	19	**4,880**		5,378	
Investments		**3,986**		3,536	
Cash at bank and in hand		**7,563**		8,042	
		84,578		78,366	
Creditors					
Amounts falling due within one year	20	**80,292**		70,775	
Net current assets			**4,286**		7,591
Total assets less current liabilities			**111,464**		114,918
Creditors					
Amounts falling due after more than one year	21	**23,934**		30,910	
Provisions for liabilities and charges	23	**5,282**		6,458	
			29,216		37,368
Net assets			**82,248**		77,550
Capital and reserves					
Share capital	25		**27,824**		27,824
Share premium account	26		**34,070**		34,070
Revaluation reserve	26		**2,518**		2,536
Capital redemption reserve	26		**500**		500
Profit and loss account	26		**15,816**		11,153
Equity shareholders' funds			**80,728**		76,083
Minority interests (equity interests)			**1,520**		1,467
			82,248		77,550

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

T.C. Bonner CBE
S.J. Willcox

PARENT COMPANY BALANCE SHEET
at 30 September 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Tangible assets	14		**26,403**		27,210
Investments	16		**73,469**		73,572
			99,872		100,782
Current assets					
Debtors	19	**36,062**		36,502	
Cash at bank and in hand		**34,299**		28,889	
		70,361		65,391	
Creditors					
Amounts falling due within one year	20	**51,919**		44,051	
Net current assets			**18,442**		21,340
Total assets less current liabilities			**118,314**		122,122
Creditors					
Amounts falling due after more than one year	21		**12,105**		15,544
Net assets			**106,209**		106,578
Capital and reserves					
Share capital	25		**27,824**		27,824
Share premium account	27		**34,070**		34,070
Merger reserve	27		**16,439**		16,439
Revaluation reserve	27		**481**		499
Capital redemption reserve	27		**500**		500
Profit and loss account	27		**26,895**		27,246
Equity shareholders' funds			**106,209**		106,578

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

T.C. Bonner CBE
S.J. Willcox

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2003

	Note	£'000	2003 £'000	£'000	2002 £'000
Net cash inflow from operating activities	28		**19,611**		23,263
Returns on investments and servicing of finance					
Interest received		**169**		596	
Interest paid		**(2,758)**		(3,959)	
Interest received/(paid) on finance leases		**–**		4	
			(2,589)		(3,359)
Taxation					
Corporation tax paid			**(1,776)**		(1,726)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(7,971)**		(5,149)	
Receipts from sales or disposals of property, plant or equipment		**646**		1,003	
Capitalised development expenditure		**(1,519)**		(625)	
Purchase of fixed asset investments		**(708)**		(1,120)	
Sale of fixed asset investments		**197**		–	
			(9,355)		(5,891)
Acquisitions and disposals					
Sale of operations			**–**		904
Equity dividends paid			**(2,013)**		(1,923)
Net cash inflow before management of liquid resources and financing			**3,878**		11,268
Management of liquid resources					
Increase in investments treated as liquid resources			**(544)**		(3,536)
Financing					
Repayment of loans		**(10,880)**		(41,119)	
New loans		**7,738**		32,971	
Principal payments under finance leases		**(41)**		(298)	
			(3,183)		(8,446)
Increase/(decrease) in cash in the period			**151**		(714)

	Note	2003 £'000	2002 £'000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		**151**	(714)
Net movements in loans and finance leases		**3,183**	8,446
Movement in liquid resources		**544**	3,536
Amortisation of loan costs		**(68)**	(44)
Exchange differences		**(811)**	722
Movement in net debt in the period		**2,999**	11,946
Net debt at the beginning of the year		**(41,021)**	(52,967)
Net debt at the end of the year	29	**(38,022)**	(41,021)

ACCOUNTING POLICIES
for the year ended 30 September 2003

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, is set out below.

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
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 exchange. 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.

IMPAIRMENT OF FIXED ASSETS AND GOODWILL
Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed assets or goodwill may not be recoverable. If the carrying amount exceeds its recoverable amount (being the higher of the value in use and the net realisable value) then the fixed asset or goodwill is written down accordingly.

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.

LONG TERM INCENTIVE PLAN

Details on the Groups' Performance Share Plan are set out in the Remuneration Report. Briefly, the scheme participants are eligible for conditional share awards (which may be in the form of nil-cost options) in the Company subject to the Company's Total Shareholder Return ("TSR") over a three year period relative to the TSR of a comparator group.

The total expected cost to the Group over the three year performance period is recognised in the profit and loss account on a pro rata time basis during each year of the scheme.

The Group acquires its own shares in the open market in order to meet its obligations under this plan. The Groups' investment in own shares is carried as a fixed asset investment at cost less provision for the expected cost of the scheme recognised in the profit and loss account.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2003

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 £886,000 (2002: £8,887,000).

2 SEGMENTAL INFORMATION

	2003 £'000	2002 £'000
(a) External sales by destination		
Europe	**134,256**	133,163
North America	**108,150**	111,839
Rest of World	**6,101**	5,507
	248,507	250,509

	2003			2002		
	External sales £'000	**Total operating profit £'000**	**Operating net assets £'000**	External sales £'000	Total operating profit/(loss) £'000	Operating net assets £'000
(b) By origin:						
Before exceptional operating items						
Europe	**142,695**	**2,432**	**92,901**	137,348	2,013	90,042
North America	**105,812**	**8,060**	**30,057**	113,161	8,429	31,315
	248,507	**10,492**	**122,958**	250,509	10,442	121,357
Exceptional operating items						
Europe	**–**	**–**	**–**	–	(6,701)	–
North America	**–**	**–**	**–**	–	–	–
	–	**–**	**–**	–	(6,701)	–
After exceptional operating items						
Europe	**142,695**	**2,432**	**92,901**	137,348	(4,688)	90,042
North America	**105,812**	**8,060**	**30,057**	113,161	8,429	31,315
	248,507	**10,492**	**122,958**	250,509	3,741	121,357

Inter segmental sales are not material.

The 2002 segmental information has been restated to combine the United Kingdom and other European operations. In the opinion of the directors, this better reflects the structural changes implemented in the past two years.

2 SEGMENTAL INFORMATION (continued)

	2003 External sales £'000	2003 Total operating profit £'000	2003 Operating net assets £'000	2002 External sales £'000	2002 Total operating profit/(loss) £'000	2002 Operating net assets £'000
(c) By business sector:						
Before exceptional operating items						
Automotive components	**180,240**	**3,301**	**74,812**	186,176	4,485	73,480
Technical products	**68,267**	**7,191**	**48,146**	64,333	5,957	47,877
	248,507	**10,492**	**122,958**	250,509	10,442	121,357
Exceptional operating items						
Automotive components	**–**	**–**	**–**	–	(6,338)	–
Technical products	**–**	**–**	**–**	–	(363)	–
	–	**–**	**–**	–	(6,701)	–
Total						
Automotive components	**180,240**	**3,301**	**74,812**	186,176	(1,853)	73,480
Technical products	**68,267**	**7,191**	**48,146**	64,333	5,594	47,877
	248,507	**10,492**	**122,958**	250,509	3,741	121,357

Inter segmental sales are not material.

	2003 £'000	2002 £'000
(d) Reconciliation of operating net asset analysis		
Consolidated balance sheet	**82,248**	77,550
Borrowings	**49,571**	52,599
Interest bearing bank deposits and investments	**(8,861)**	(8,792)
Operating net assets	**122,958**	121,357

	2003 Year-end	2003 Average	2002 Year-end	2002 Average
(e) Directors and employees				
The number of employees (including Executive Directors) during the year was:				
Automotive components	**3,455**	**3,551**	3,523	3,645
Technical products	**950**	**828**	833	883
Total	**4,405**	**4,379**	4,356	4,528

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

3 COST OF SALES AND OTHER OPERATING INCOME AND EXPENSES

	2003 Total £'000	2002 Before exceptional items £'000	2002 Exceptional items £'000	2002 Total £'000
Turnover	**248,507**	250,509	–	250,509
Cost of sales	**(203,922)**	(209,739)	–	(209,739)
Gross profit	**44,585**	40,770	–	40,770
Distribution costs	**(8,640)**	(6,693)	–	(6,693)
Administrative expenses (including goodwill amortisation of £681,000 (2002: £626,000))	**(27,102)**	(24,761)	(6,701)	(31,462)
Other operating income	**1,604**	1,105	–	1,105
Net operating expenses	**(34,138)**	(30,349)	(6,701)	(37,050)
Share of profits of joint venture and associate	**45**	21	–	21
Total operating profit	**10,492**	10,442	(6,701)	3,741

£4,784,000 of costs treated as cost of sales in 2002 have been re-classified as administrative expenses, as this is considered a better classification of costs.

4 JOINT VENTURE AND ASSOCIATE

	2003 £'000	2002 £'000
Share of operating profit in joint venture	**49**	57
Share of operating loss in associate	**(4)**	(36)
	45	21

The Group's share of the turnover of the joint venture was £482,000 (2002: £474,000)

	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 2003 Unaudited accounts to 30 September 2003
Associate				
Ames-Avon Industries USA	2,000 shares of nil par value	Nil	31 December	Audited accounts to 31 December 2002

The Group's 49% interest in this associate was redeemed at the book value of its share of net assets on 21 December 2002.

5 INTEREST AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loans and overdrafts	**(1,632)**	(1,917)
US dollar private placement	**(1,223)**	(1,886)
Amortisation of issue costs	**(68)**	(44)
Other loans	**(24)**	(107)
Finance leases	**(2)**	(1)
	(2,949)	(3,955)
Share of interest cost in joint venture	**(54)**	(77)
Total interest payable	**(3,003)**	(4,032)
Interest receivable	**181**	609
	(2,822)	(3,423)

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before taxation is stated after crediting:		
Rent receivable	**124**	265
Gain on foreign exchange	**354**	162
and after charging:		
Depreciation on tangible fixed assets:		
owned assets	**9,320**	10,299
leased assets	**207**	147
Amortisation of goodwill	**681**	626
Amortisation of deferred development costs	**741**	598
Auditors' remuneration for:		
audit (Company £92,000; 2002: £84,000)	**380**	368
other services: tax compliance UK	**68**	37
tax consultancy UK	**249**	31
tax compliance overseas	**62**	43
tax consultancy overseas	**68**	37
Research and development	**4,003**	5,081
Operating leases:		
plant and machinery	**917**	1,125
other assets	**1,685**	1,876

7 TAXATION

(a) Analysis of charge in the year

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax on profits of the year at 30% (2002: 30%)	**306**	28
Overseas taxes	**2,470**	1,802
Associated company	**–**	(13)
(Over)/under provision in previous years	**(324)**	576
	2,452	2,393
Deferred tax:		
Origination and reversal of timing differences	**(336)**	(2,083)
Total tax charge	**2,116**	310

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

7 TAXATION (continued)

(b) Factors affecting current tax charge for the year

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before taxation	**7,670**	(1,455)
Profit/(loss) on ordinary activities before taxation at the standard rate of UK corporation tax of 30% (2002: 30%)	**2,301**	(437)
Permanent differences	**(803)**	(490)
Depreciation charge in excess of capital allowances and other timing differences - current year movement on amounts provided	**507**	2,151
Depreciation charge in excess of capital allowances and other timing differences - current year movement on amounts unprovided	**639**	453
Differences between UK and overseas tax rates on overseas earnings	**132**	140
Adjustments to current tax charge in respect of previous periods	**(324)**	576
Current tax charge for the year	**2,452**	2,393

(c) Deferred taxation

	2003 Provided £'000
As brought forward	**1,633**
Exchange differences taken to reserves	**89**
	1,722
Credit to profit and loss account	**(336)**
Carried forward at 30 September	**1,386**

	2003 Provided £'000	2003 Unprovided £'000	2002 Provided £'000	2002 Unprovided £'000
Accelerated capital allowances	**4,619**	**–**	6,194	–
Short term timing differences (including pension deferral)	**87**	**–**	(314)	–
Losses	**(3,320)**	**(2,109)**	(4,247)	(2,732)
Total	**1,386**	**(2,109)**	1,633	(2,732)

(d) Future tax charges

Future tax charges will continue to benefit from the permanent differences reflected in the above table. These are expected to continue in the short and medium term. Additional benefit may be obtained if the Group is able to utilise tax losses for which no deferred asset tax has been recognised.

8 DIVIDENDS

	2003 £'000	2002 £'000
Dividends on equity shares:		
Ordinary - Interim paid of 3.5p per share (2002: 3.5p per share)	**936**	954
Ordinary - Final proposed of 4.5p per share (2002: 4.0p per share)	**1,195**	1,077
	2,131	2,031

Dividends payable in respect of 1,150,000 (2002: 750,000) shares held as investments (see note 15) and 127,578 (2002: 136,578) shares held by the QUEST (see note 25) have been waived.

9 EARNINGS/(LOSS) PER SHARE

Basic earnings per share amounts to 20.3p (2002: loss per share 5.7p) and is based on profit after taxation, and deduction of minority interests of £5,446,000 (2002: loss £1,571,000) and 26,779,000 ordinary shares (2002: 27,448,000) being the weighted average of the shares in issue during the year.

Earnings per share before exceptional items amounts to 20.3p (2002: 16.0p) and is based on profit after taxation, and deduction of minority interests of £5,446,000 (2002: £4,403,000).

Earnings per share before goodwill amortisation and exceptional items amounts to 22.9p (2002: 18.3p) and is based on profit for the year (adjusted to add back goodwill amortisation and exceptional charges) of £6,127,000 (2002: £5,029,000).

The Company has dilutive potential ordinary shares in respect of the Sharesave Option Scheme (see page 26) and the Performance Share Plan (see page 25). The diluted earnings per share amounts to 19.2p (2002: loss 5.7p) and is based on profit after taxation and deduction of minority interests of £5,446,000 (2002: loss £1,571,000) and 28,377,000 ordinary shares (2002: 28,007,000) being the weighted average of the shares in issue during the year adjusted to assume conversion of all dilutive potential ordinary shares.

Adjusted earnings/(loss) 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 earnings/(loss) per share figures is shown below.

	2003 pence	2002 pence
Basic earnings/(loss) per share	**20.3**	(5.7)
Adjustment for exceptional items	**–**	21.7
Earnings per share before exceptional items	**20.3**	16.0
Adjustment for goodwill amortisation	**2.6**	2.3
Earnings per share before goodwill amortisation and exceptional items	**22.9**	18.3

10 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 employed prior to 31 January 2003. The scheme is now closed to new entrants. 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 2003 when the market value of the plan's assets was £174.0 million. The actuarial value of those assets represented 86% 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 2003 is based on the actuarial valuation as at 1 April 2000 for the period to 31 March 2003 and an adjusted actuarial valuation as at 1 April 2003 for the period 1 April 2003 to 30 September 2003. 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% (post-retirement) and 2% (pre-retirement) higher than the yield on fixed interest gilts at the valuation date, that inflation would be 2.6% (2002: 3.0%), pensionable salaries would increase by 3.6% (2002: 4.0%) and that pensions would increase by 2.6% (2002: 3.0%).

The pension cost to the Group in the year ended 30 September 2003 in respect of UK employees was £1,816,000 (2002: £813,000). At 30 September 2003, the pension prepayment held in the Group balance sheet is £4,297,000 (2002: £4,823,000).

Employer contributions to the plan were 7.5% of salaries throughout the year.

An updated actuarial valuation for FRS 17 purposes was carried out by an independent actuary at 30 September 2003 using the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

10 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

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

Valuation method	**2003 Projected Unit**	2002 Projected Unit	2001 Projected Unit
Discount rate	**5.75%**	5.75%	6.25%
Inflation rate	**2.65%**	2.25%	2.5%
Increases to pensions in payment and deferred	**2.65%**	2.25%	2.5%
Salary increases	**3.4%**	3.0%	3.5%

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

	Long-term rate of return expected at 30 September 2003	**Value at 30 September 2003 £'000**	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%**	**137,222**	8.0%	118,888	8.0%	133,962
Bonds	**4.7%**	**49,291**	4.7%	55,930	5.0%	62,711
Other	**4.7%**	**6,170**	4.7%	4,088	5.0%	9,808
Total market value of assets	**6.9%**	**192,683**	6.9%	178,906	6.9%	206,481
Present value of scheme liabilities		**(214,622)**		(209,882)		(198,017)
Deficit in scheme		**(21,939)**		(30,976)		8,464
Related deferred tax asset/(liability)		**6,582**		9,293		(2,539)
Net pension (liability)/asset		**(15,357)**		(21,683)		5,925
Net Assets						
Net assets excluding SSAP 24 pension asset		**77,951**		72,727		
Net pension liability		**(15,357)**		(21,683)		
Net assets including net pension liability		**62,594**		51,044		
Reserves						
Profit and loss reserve excluding SSAP 24 pension asset		**11,519**		6,330		
Net pension liability		**(15,357)**		(21,683)		
Profit and loss deficit		**(3,838)**		(15,353)		

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

	2003 £'000	2002 £'000
Current service	**2,147**	2,473
Past service cost	**396**	–
Total operating charge	**2,543**	2,473

Movement in surplus/(deficit) during the year

	2003 £'000	2002 £'000
(Deficit)/surplus in the scheme at the beginning of the year	**(30,976)**	8,464
Movement:		
Current service cost	**(2,147)**	(2,473)
Contributions	**1,290**	852
Past service cost	**(396)**	–
Other finance income	**263**	2,076
Actuarial gain/(loss)	**10,027**	(39,895)
Deficit in the scheme at the end of the year	**(21,939)**	(30,976)

10 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

Analysis of the amount credited to other finance income

	2003 £'000	2002 £'000
Expected return on pension scheme assets	**12,048**	14,453
Interest on pension scheme liabilities	**(11,785)**	(12,377)
Net return	**263**	2,076

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

	2003 £'000	2002 £'000
Actual return less expected return on pension scheme assets	**10,313**	(31,629)
Experience gains and losses arising on the scheme liabilities	**6,371**	1,017
Changes in the assumptions underlying the present value of the scheme liabilities	**(6,657)**	(9,283)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	**10,027**	(39,895)

History of experience gains and losses

	2003 £'000	2002 £'000
Difference between the actual and expected return on scheme assets:		
Amount	**10,313**	(31,629)
Percentage of scheme liabilities	**5.4%**	(17.7%)
Experience gains and losses on scheme liabilities:		
Amount	**6,371**	1,017
Percentage of scheme liabilities	**3.0%**	0.5%
Total amount recognised in statement of total recognised gains and losses:		
Amount	**10,027**	(39,895)
Percentage of scheme assets	**5.2%**	(22.3%)

In addition, commencing 1 February 2003, a defined contribution scheme has been introduced for new employees within the UK. The cost to the Group in respect of this scheme for the year ended 30 September 2003 was £3,000 (2002: nil).

Overseas

For employees overseas, pension arrangements are principally defined contribution plans. The cost to the Group in the year ended 30 September 2003 in respect of overseas employees was £1,716,000 (2002: £2,038,000).

The Group's German subsidiary operates a fully re-insured defined benefit plan. The scheme's assets at 30 September 2003 were £575,000 (2002: £529,000) and the accrued liabilities £575,000 (2002: £529,000).

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 2003 amounts to £1,049,000 (2002: £775,000). The amount charged to the Group profit and loss account in the year ended 30 September 2003 is £179,000 (2002: £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 2003 is £354,000 (2002: £294,000), and the accrued liability of £3,355,000 (2002: £3,369,000) is included in provisions for liabilities and charges.

The liabilities of this unfunded benefit scheme were valued by an independent actuary at 1 October 2002, based on the following principal assumptions:

Discount rate	6.00%
Healthcare cost trend rate	11.00% reducing to 5.5% by 2009

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

11 DIRECTORS AND EMPLOYEES

Detailed disclosures of directors' remuneration and share options are given on pages 24 to 26.

	2003 £'000	2002 £'000
Staff costs (including directors) during the year were:		
Wages and salaries	**68,233**	72,417
Social security costs	**9,101**	8,224
Other pension costs	**3,532**	2,851
	80,866	83,492

12 INTANGIBLE FIXED ASSETS – GROUP

	Cost £'000	Amortisation £'000	Net book value £'000
Goodwill			
At 1 October 2002	12,593	(2,046)	10,547
Amortisation	–	(681)	(681)
Exchange differences	1,454	(258)	1,196
At 30 September 2003	**14,047**	**(2,985)**	**11,062**
Development expenditure			
At 1 October 2002	3,556	(996)	2,560
Incurred during the year	1,493	(741)	752
Exchange differences	–	1	1
At 30 September 2003	**5,049**	**(1,736)**	**3,313**
Total intangible fixed assets			
At 30 September 2003	**19,096**	**(4,721)**	**14,375**
At 30 September 2002	16,149	(3,042)	13,107

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 2003, is £74,652,000 (2002: £74,652,000).

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

13 TANGIBLE FIXED ASSETS – GROUP

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or Valuation:					
At 1 October 2002	46,912	1,252	136	127,274	175,574
Exchange differences	109	(17)	(3)	2,009	2,098
Additions at cost	1,579	–	–	6,718	8,297
Disposals	(817)	–	–	(862)	(1,679)
Reclasssifications	14	–	(57)	43	–
At 30 September 2003	**47,797**	**1,235**	**76**	**135,182**	**184,290**
At Cost	38,020	435	76	135,182	173,713
At Valuation	9,777	800	–	–	10,577
	47,797	**1,235**	**76**	**135,182**	**184,290**
Depreciation:					
At 1 October 2002	4,536	263	90	77,379	82,268
Exchange differences	(15)	(7)	(3)	1,248	1,223
Charge for the year	1,155	53	1	8,318	9,527
On disposals	(152)	–	–	(784)	(936)
On reclassifications	(2)	–	(17)	19	–
At 30 September 2003	**5,522**	**309**	**71**	**86,180**	**92,082**
Net book value at 30 September 2003	**42,275**	**926**	**5**	**49,002**	**92,208**
Net book value at 30 September 2002	42,376	989	46	49,895	93,306
Net book value includes the following leased assets					
At 30 September 2003	**–**	**926**	**5**	**737**	**1,668**
At 30 September 2002	–	989	46	890	1,925

The accumulated cost of freeholds includes £1,873,000 (2002: £1,873,000) in respect of capitalised interest, the net book value of which is £1,736,000 (2002: £1,774,000).

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	49,594	762	76
Depreciation	9,290	361	71
Net book value at 30 September 2003	**40,304**	**401**	**5**
Net book value at 30 September 2002	40,405	447	46

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

14 TANGIBLE FIXED ASSETS – PARENT

	Freeholds £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or Valuation:				
At 1 October 2002	27,119	800	1,988	29,907
Additions at cost	–	–	65	65
Disposals	(96)	–	(6)	(102)
At 30 September 2003	**27,023**	**800**	**2,047**	**29,870**
At Cost	27,023	–	2,047	29,070
At Valuation	–	800	–	800
	27,023	**800**	**2,047**	**29,870**
Depreciation:				
At 1 October 2002	1,303	145	1,249	2,697
Charge for the year	542	24	212	778
On disposals	(2)	–	(6)	(8)
At 30 September 2003	**1,843**	**169**	**1,455**	**3,467**
Net book value at 30 September 2003	**25,180**	**631**	**592**	**26,403**
Net book value at 30 September 2002	25,816	655	739	27,210
Net book value includes the following leased assets:				
At 30 September 2003	**–**	**631**	**–**	**631**
At 30 September 2002	–	655	–	655

The accumulated cost of freeholds includes £1,873,000 (2002: £1,873,000) in respect of capitalised interest, the net book value of which is £1,736,000 (2002: £1,774,000).

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	27,023	327
Depreciation	1,843	221
Net book value at 30 September 2003	**25,180**	**106**
Net book value at 30 September 2002	25,816	113

15 FIXED ASSETS INVESTMENTS – GROUP

	2003 £'000	2002 £'000
Investment in own shares	**584**	687
Investment in joint venture:		
share of joint assets	–	694
share of joint liabilities	–	(694)
Investment in associate	–	200
Other investments	**11**	27
	595	914

	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 1 October 2002	687	493	161	27	1,368
Purchased during the year	708	–	–	–	708
Amortisation of investment	(811)	–	–	–	(811)
Disposed of during the year	–	–	(161)	–	(161)
Exchange differences	–	(11)	–	(16)	(27)
At 30 September 2003	**584**	**482**	**–**	**11**	**1,077**
Group share of profits less losses:					
At 1 October 2002	–	(493)	39	–	(454)
Exchange differences	–	(13)	–	–	(13)
Losses for the year	–	(5)	(4)	–	(9)
Disposed of during the year	–	–	(35)	–	(35)
At 30 September 2003	**–**	**(511)**	**–**	**–**	**(511)**
Net book value at 30 September 2003	584	(29)	–	11	566
Transfer to other creditors	–	29	–	–	29
Revised net book value at 30 September 2003	**584**	**–**	**–**	**11**	**595**
Net book value at 30 September 2002	687	–	200	27	914

Interests in own shares represents the cost of 1,150,000 £1 ordinary shares. 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 25). 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 2003 amounts to £2,231,000. 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.

16 FIXED ASSETS INVESTMENTS – PARENT

	Investment in own shares £'000	Investment in subsidiaries £'000	Total £'000
Net book value			
At 30 September 2002	687	72,885	73,572
Purchased during the year	708	–	708
Amortisation of investment	(811)	–	(811)
At 30 September 2003	**584**	**72,885**	**73,469**

A list of Group undertakings appears on page 57.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

17 OTHER FINANCIAL COMMITMENTS

	Group		Parent	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Capital expenditure committed	**332**	1,560	**14**	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:

	2003		2002	
	Land and buildings £'000	**Other assets £'000**	Land and buildings £'000	Other assets £'000
For leases expiring				
Within 1 year	**692**	**280**	–	250
In 2-5 years	**665**	**610**	1,426	577
Over 5 years	**547**	**–**	300	–
	1,904	**890**	1,726	827

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 £146,000 (2002: £104,000).

18 STOCKS

	Group	
	2003 £'000	2002 £'000
Raw materials	**8,077**	6,905
Work in progress	**4,393**	4,666
Finished goods	**8,141**	7,639
	20,611	19,210

19 DEBTORS

	Group		Parent	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Amounts falling due within one year:				
Trade debtors	**40,614**	35,762	**28**	20
Group undertakings	**–**	–	**34,801**	35,765
Undertakings in which the Group has a participating interest	**226**	325	**107**	107
Deferred tax	**–**	–	**512**	–
Other debtors	**5,046**	4,567	**547**	544
Prepayments	**1,652**	1,546	**67**	66
	47,538	42,200	**36,062**	36,502
Amounts falling due after more than one year:				
Other debtors	**583**	555	**–**	–
Pension fund prepayment	**4,297**	4,823	**–**	–
	4,880	5,378	**–**	–
	52,418	47,578	**36,062**	36,502

20 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Bank loans	**23,590**	17,977	**19,415**	15,487
US dollar private placement	**2,554**	2,699	**–**	–
Bank overdrafts	**1,008**	1,864	**–**	–
Finance leases	**26**	31	**–**	–
Total borrowings falling due within 1 year	**27,178**	22,571	**19,415**	15,487
Trade creditors	**28,068**	26,350	**350**	654
Group undertakings	**–**	–	**26,689**	23,240
Bills of exchange	**910**	946	**–**	–
Corporation tax	**2,161**	1,385	**2,896**	2,307
Other taxation and social security	**4,260**	3,418	**183**	152
Other creditors	**7,641**	6,170	**727**	726
Accruals	**8,879**	8,858	**464**	408
Proposed dividend on ordinary shares	**1,195**	1,077	**1,195**	1,077
	80,292	70,775	**51,919**	44,051

Other creditors include £29,000 in respect of the company's investment in the joint venture Gold Seal-Avon Polymers PVT, this being the company's share of the assets of the joint venture totalling £621,000 less the company's share of the liabilities of the joint venture totalling £650,000.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

21 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Parent	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Bank loans	**12,159**	16,496	**12,105**	15,544
US dollar private placement	**10,234**	13,496	**–**	–
Finance leases up to 5 years	**–**	36	**–**	–
Total borrowings falling due after more than one year	**22,393**	30,028	**12,105**	15,544
Other creditors	**1,541**	882	**–**	–
	23,934	30,910	**12,105**	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 is stated net of unamortised issue costs of £111,000 (2002: £157,000).

22 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

	2003			2002		
Currency	**Cash at bank and in hand £'000**	**Investments £'000**	**Total £'000**	Cash at bank and in hand £'000	Investments £'000	Total £'000
Sterling	**2,306**	**2,292**	**4,598**	2,571	1,948	4,519
US dollars	**1,471**	**1,705**	**3,176**	2,455	1,615	4,070
Euros	**2,861**	**–**	**2,861**	2,624	–	2,624
Other currencies	**925**	**–**	**925**	392	–	392
	7,563	**3,997**	**11,560**	8,042	3,563	11,605

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 $18,000 (2002: $42,000). 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.

22 FINANCIAL INSTRUMENTS (continued)

Interest rate risk of financial liabilities

Currency	2003 Floating rate financial liabilities £'000	2003 Fixed rate financial liabilities £'000	2003 Total £'000	2002 Floating rate financial liabilities £'000	2002 Fixed rate financial liabilities £'000	2002 Total £'000
Sterling	**978**	**26**	**1,004**	3,466	67	3,533
US dollars	**14,007**	**12,788**	**26,795**	9,602	16,195	25,797
Euros	**19,090**	**–**	**19,090**	20,941	–	20,941
Other currencies	**2,682**	**–**	**2,682**	2,328	–	2,328
	36,757	**12,814**	**49,571**	36,337	16,262	52,599

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 $21.4 million (2002: $25.5 million).

The above foreign currency liabilities provide a hedge against the Groups' investment in non-sterling denominated net assets.

Fixed rate financial liabilities

Currency	2003 Weighted average interest rate %	2003 Weighted average period for which rate is fixed Years	2002 Weighted average interest rate %	2002 Weighted average period for which rate is fixed Years
Sterling	**7.2**	**1.0**	7.2	2.0
US dollars	**8.5**	**2.2**	8.5	3.3

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:

	2003 Bank overdrafts and loans £'000	2003 Finance leases £'000	2003 Total £'000	2002 Bank overdrafts and loans £'000	2002 Finance leases £'000	2002 Total £'000
In 1 year or less, or on demand	**27,152**	**26**	**27,178**	22,540	31	22,571
Between 1 and 2 years	**6,579**	**–**	**6,579**	6,943	32	6,975
Between 2 and 5 years	**15,814**	**–**	**15,814**	23,049	4	23,053
Over 5 years	**–**	**–**	**–**	–	–	–
	49,545	**26**	**49,571**	52,532	67	52,599

Bank overdrafts and loans include the US dollar private placement.

22 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:

	Floating rate £'000	Fixed rate £'000	2003 Total £'000	2002 Total £'000
Expiring within 1 year	**9,873**	**–**	**9,873**	14,576
Between 1 and 2 years	**–**	**–**	**–**	–
Over 2 years	**–**	**–**	**–**	–
Total undrawn committed borrowing facilities	**9,873**	**–**	**9,873**	14,576
Bank loans and overdrafts utilised	**36,757**	**12,788**	**49,545**	52,532
Utilised in respect of guarantees	**1,944**	**–**	**1,944**	2,017
Total Group facilities	**48,574**	**12,788**	**61,362**	69,125

The undrawn 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.

	2003 Book value £'000	2003 Fair value £'000	2002 Book value £'000	2002 Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Bank loans and overdrafts under 1 year	**(24,598)**	**(24,598)**	(19,841)	(19,841)
US dollar denominated loan	**(12,899)**	**(13,762)**	(16,352)	(16,516)
Bank loans over 1 year	**(12,159)**	**(12,159)**	(16,496)	(16,496)
Finance leases	**(26)**	**(26)**	(67)	(67)
Cash at bank and in hand	**7,563**	**7,563**	8,042	8,042
Current asset investments	**3,986**	**3,986**	3,536	3,536
Derivative financial instruments held to manage the interest rate and currency profile				
Forward foreign currency contracts	**(56)**	**(56)**	33	33
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales and purchases				
Forward foreign currency contracts	**–**	**199**	–	35

The book value of the US dollar private placement is shown in the above table gross of unamortised issue costs of £111,000 (2002: £157,000).

22 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 (2002: $500,000), less amounts written off of $482,000 (2002: $458,000) 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:

				2003	2002
Currency	**Operating assets £'000**	**Unamortised goodwill £'000**	**Functional currency borrowings £'000**	**Remaining functional currency exposure £'000**	Remaining functional currency exposure £'000
US dollar	**31,796**	**–**	**26,795**	**5,001**	8,706
Euro	**14,296**	**11,062**	**19,090**	**6,268**	3,886
Other currencies	**9,888**	**–**	**2,682**	**7,206**	6,271
	55,980	**11,062**	**48,567**	**18,475**	18,863

The unrecognised losses on forward foreign currency contracts at 30 September 2002 amounted to £35,000 which was recognised in the profit and loss account for the year ended 30 September 2003. The unrecognised gains on forward foreign currency contracts at 30 September 2003 amount to £199,000 which is expected to be recognised in the profit and loss account for the year ended 30 September 2004 as the transactions to which they relate occur.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

23 PROVISIONS FOR LIABILITIES AND CHARGES – GROUP

	Deferred tax £'000	Post retirement benefits £'000	Other £'000	Total £'000
Balance at 1 October 2002	1,633	3,369	1,456	6,458
Charged/(credited) to profit and loss account	(336)	354	825	843
Payments in the year	–	(174)	(1,740)	(1,914)
Exchange differences	89	(194)	–	(105)
Balance at 30 September 2003	**1,386**	**3,355**	**541**	**5,282**

The provision for deferred tax is detailed in note 7.

The provision for post retirement benefits is detailed in note 10. Payments are made in the three years following employees' retirement.

The other provision is in respect of the European rationalisation and reorganisation detailed in the 2002 report and accounts, the remaining costs of which are expected to be paid in the next financial year.

24 CONTINGENT LIABILITIES

	Group		Parent	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Guarantees of overdraft facilities and loans of Group undertakings	**–**	–	**55,077**	51,153
Other guarantees	**4,819**	2,463	**–**	–
	4,819	2,463	**55,077**	51,153

The company and certain subsidiaries have unconditionally guaranteed the liabilities of Avon Rubber & Plastics Inc. in respect of its US $21.4 million private debt placement.

HSBC Bank plc has the right to set off the bank accounts of the Parent and the UK subsidiaries.

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

25 SHARE CAPITAL

	2003 £'000	2002 £'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 2003, a Qualifying Employee Share Ownership Trust ("QUEST"), held 127,578 (2002: 136,578) ordinary shares in the company at a market value of £1.94 per share, all of which were under option to employees. 1,150,000 (2002: 750,000) ordinary shares are also held by a trust in respect of obligations under the 2002 Performance Share Plan. Dividends on all of these shares have been waived.

Details of outstanding share options are given on pages 25 and 26.

26 SHARE PREMIUM ACCOUNT AND RESERVES – GROUP

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 October 2002	34,070	2,536	500	11,153
Transfer from revaluation reserve to profit and loss account	–	(18)	–	18
Unrealised exchange differences on overseas investments	–	–	–	1,330
Current year profit	–	–	–	3,315
At 30 September 2003	**34,070**	**2,518**	**500**	**15,816**
Avon Rubber p.l.c. and subsidiaries	34,070	2,518	500	16,327
Joint venture	–	–	–	(511)
	34,070	**2,518**	**500**	**15,816**

27 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 1 October 2002	34,070	16,439	499	500	27,246
Transfer from revaluation reserve to profit and loss account	–	–	(18)	–	18
Unrealised exchange differences	–	–	–	–	517
Current year loss	–	–	–	–	(886)
At 30 September 2003	**34,070**	**16,439**	**481**	**500**	**26,895**

28 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Continuing operations		
Total operating profit	**10,492**	3,741
Goodwill amortisation	**681**	626
Amortisation of development costs	**741**	598
Amortisation of loan issue costs	**68**	44
Depreciation of tangible fixed assets	**9,527**	10,446
Amortisation of fixed asset investment	**811**	553
Loss/(profit) on sale of tangible fixed assets	**119**	(94)
(Increase)/decrease in stocks	**(1,099)**	2,785
(Increase)/decrease in debtors	**(4,225)**	2,361
Increase/(decrease) in creditors	**2,757**	(297)
Decrease/(increase) in pension prepayment	**526**	(25)
Share of operating profits of joint venture and associate	**(45)**	(21)
(Decrease)/increase in provisions	**(742)**	1,570
Net cash inflow from continuing operations	**19,611**	22,287
Discontinued operations		
Decrease in stocks	**–**	286
Decrease in debtors	**–**	994
Decrease in creditors	**–**	(304)
Net cash inflow from discontinued operations	**–**	976
Total net cash inflow from operating activities	**19,611**	23,263

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2003

29 ANALYSIS OF NET DEBT

	At 1 Oct 2002 £'000	Cash flow £'000	Amortisation of loan costs £'000	Exchange movements £'000	**At 30 Sept 2003 £'000**
Cash at bank and in hand	8,042	(721)	–	242	**7,563**
Overdrafts	(1,864)	872	–	(16)	**(1,008)**
Debt due after 1 year	(29,992)	8,567	(68)	(900)	**(22,393)**
Debt due within 1 year	(20,676)	(5,425)	–	(43)	**(26,144)**
Finance leases	(67)	41	–	–	**(26)**
Current asset investments	3,536	544	–	(94)	**3,986**
	(41,021)	3,878	(68)	(811)	**(38,022)**

30 RELATED PARTY TRANSACTIONS

At the end of the year the Group had loans outstanding due from Gold Seal-Avon Polymers PVT totalling £157,000 (2002: £107,000). There were no other material related party transactions during the year.

31 POST BALANCE SHEET EVENT

On 20 November 2003, the group sold the entire share capital of a French based wholly owned subsidiary, Avon Spencer Moulton S.A. for a consideration of £3,278,000. After taking into account the related purchased goodwill previously charged directly to reserves of £659,000, this transaction did not give rise to any significant profit or loss on disposal.

GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

at 30 September 2003

	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.S.		France
Avon Hi-Life Inc.		USA
Avon Injected Rubber & Plastics Inc.		USA
Avon Milk-Rite Inc.		USA
Avon Polymères France S.A.S.		France
Avon Rubber & Plastics Inc.		USA
Avon Rubber Holland BV (in liquidation)		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
Proflex S.A.		Spain
Undertakings in which the Group has a participating interest		
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 * 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.S., Avon Rubber Holland BV (in liquidation) 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.

† Gold Seal-Avon Polymers PVT is a joint venture within the meaning of Financial Reporting Standard Number 9.

FIVE YEAR RECORD

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Turnover	**248,507**	250,509	278,041	277,997	266,164
Profit on trading	**20,655**	21,493	21,177	27,798	31,831
Share of profits/(losses) of joint venture and associated company	**45**	21	119	161	(54)
	20,700	21,514	21,296	27,959	31,777
Goodwill amortisation	**(681)**	(626)	(617)	(623)	(163)
Depreciation	**(9,527)**	(10,446)	(11,945)	(11,911)	(9,734)
Operating profit before exceptional items	**10,492**	10,442	8,734	15,425	21,880
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
(Loss)/profit on sale of operations	**–**	(568)	(8,916)	–	–
Profit/(loss) before interest	**10,492**	1,968	(3,738)	8,778	23,302
Interest	**(2,822)**	(3,423)	(5,321)	(3,040)	(1,396)
Profit/(loss) before taxation	**7,670**	(1,455)	(9,059)	5,738	21,906
Taxation	**(2,116)**	(310)	640	(2,960)	(6,257)
Profit/(loss) after taxation	**5,554**	(1,765)	(8,419)	2,778	15,649
Minority interests	**(108)**	194	(30)	717	133
Profit/(loss) attributable to Avon shareholders	**5,446**	(1,571)	(8,449)	3,495	15,782
Preference dividends	**–**	–	(23)	(35)	(35)
Ordinary dividends	**(2,131)**	(2,031)	(1,938)	(6,700)	(6,698)
Retained profit/(loss)	**3,315**	(3,602)	(10,410)	(3,240)	9,049
Fixed assets and investments	**107,178**	107,327	115,065	126,892	116,340
Working capital	**18,374**	17,702	24,719	36,142	28,187
Provisions	**(5,282)**	(6,458)	(6,179)	(8,385)	(6,276)
Assets employed	**120,270**	118,571	133,605	154,649	138,251
Financed by:					
Ordinary share capital	**27,824**	27,824	27,824	27,824	27,824
Reserves attributable to Avon shareholders	**52,904**	48,259	51,093	59,639	61,233
Preference share capital	**–**	–	–	500	500
Minority shareholders' interests	**1,520**	1,467	1,721	1,741	2,328
Shareholders' capital employed	**82,248**	77,550	80,638	89,704	91,885
Net borrowings	**38,022**	41,021	52,967	64,945	46,366
Capital employed	**120,270**	118,571	133,605	154,649	138,251
Basic earnings/(loss) per share	**20.3p**	(5.7)p	(30.6)p	12.4p	56.8p
Dividends per share	**8.0p**	7.5p	7.0p	24.2p	24.2p

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.

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 22nd January 2004 at 10.30 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 2003 (Resolution No.1).

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

4. To approve the remuneration report of the Directors (as set out on pages 21 to 26 of the annual report) for the year ended 30 September 2003 (Resolution No. 3).

5. To re-elect Directors:-

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

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

   Mr. N.A.P. Carson retires by rotation and, being eligible, offers himself for re-election (Resolution No. 6).

6. To approve the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors (Resolution No. 7).

7. To transact any other routine business.

8. As special business to consider and if thought fit pass the following resolution which will be proposed as an Ordinary Resolution (Resolution No. 8):

   "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 2005 or on 22 April 2005, whichever is the earlier, and, for such period the section 80 amount shall be £9,274,648."

9. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 9):

   "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 2005 or on 22 April 2005, whichever is the earlier, and for such period the section 89 amount shall be £1,391,197."

10. 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 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 2005 or, if earlier, on 22 July 2005 (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
P.J. Fairbairn, Secretary
Bradford on Avon
15 December 2003

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, Capita Registrars, 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. 8 and 9.

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 2003 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. 8 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 33¹/₃% 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. 9 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 2003. 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 33¹/₃% of the existing issued ordinary share capital; this year 33¹/₃% of the existing issued ordinary share capital is the lesser amount and the section 80 amount has been calculated accordingly.

The authorities sought in Resolution Nos. 8 and 9 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 2005 or on 22 April 2005 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. 10.

It is proposed, by way of Resolution No. 10, 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. 10 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 2005 or, if earlier, 22 July 2005. 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 28 November 2003 there were options to subscribe outstanding over 1,382,283 ordinary shares, representing 4.97% of the Company's ordinary issued share capital. If the authority given by Resolution No. 10 were to be fully exercised, these options would represent 5.84% of the Company's ordinary issued share capital. As of 28 November 2003 there were no warrants outstanding over ordinary shares.

The Directors intend to exercise the power given by Resolution No. 10 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, Resolution No. 10 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.