

Avdel plc

312636.

ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1993

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Avdel plc

**DIRECTORS AND OFFICERS
YEAR ENDED 31 DECEMBER 1993**

Directors

John C Marley : Chairman and Chief Executive
Patricia P Bailey (USA)*
Robert G Crawford, CBE*
A Michael Davies*

* Non Executive

Secretary

Graham J H Rainey FCA

Registered office

Mundells
Welwyn Garden City
Hertfordshire AL7 1QB

Registrars

National Westminster Bank plc
Registrar's Department
Caxton House
Redcliffe Way
Bristol BS99 7NH

Registered number

312636

**CHAIRMAN'S STATEMENT
YEAR ENDED 31 DECEMBER 1993**

Results

A record turnover in the history of the Group at £101.7m and also the first time the annual turnover has exceeded £100m. The turnover was 10% up on the level achieved in 1992. Demand in France, Germany and Japan was down on the previous year though improvements occurred in the Americas, the Far East and the U.K.

The profit before taxation increased to £11.4m which was 21% up on last year. The devaluation of Sterling, following the exit from the ERM in September 1992, had a beneficial impact on the Group's turnover and profit.

Earnings per share increased to 6.0p compared with 5.1p last year.

Balance Sheet

The net assets of the group increased by £6.2m in the year to £57.8m.

Cash continued to be generated with a net inflow of £6.8m so that at the year end the Group had net cash balances of £9.3m.

The investment in fixed assets was maintained with additions of £4.2m and capital commitments at the year end of £1.5m. During the year construction was started of a 35,000 sq.ft. extension to the Warrington factory which was completed in February 1994. This will now be followed by investment in machine tools and process plant. In the medium term we will seek new and additional products and technologies for the Warrington operation.

Dividend

An interim dividend of 1.0p per ordinary share was paid on 5 April 1993 in the amount of £1.3m (1992-£1.3m).

The directors do not recommend the payment of a final dividend.

Textron Inc.

On 27 October 1993 the Federal Trade Commissioners voted to accept an agreement, which had previously been signed between the FTC staff and Textron, designed to settle the dispute between the parties.

The settlement requires the setting up of a licensee to make and sell the Avdel Monobolt in the United States and sell only in Canada. It is anticipated that the formalities will be completed early in 1994 allowing the merger which was agreed in 1989 to at last become effective.

Operations

It has been indicated in previous Reports that the Group would be in a good position to exploit the eventual recovery in key markets around the world having maintained strong investment in human and other resources through the difficult recession years. I am happy to report that this was indeed the case in a number of countries during 1993.

**CHAIRMAN'S STATEMENT
YEAR ENDED 31 DECEMBER 1993**

Operations (continued)

Considerable volume increases were achieved in the U.K. market. The recovery in the commercial vehicle industry, the continued penetration into automotive applications by replacing traditional fastener products with cost effective engineered assembly systems combined with new products growth brought about this welcome change.

Even more encouraging was the trend towards automated and continuous feed systems where the U.K. had previously lagged Continental Europe and Japan. This indicates a much greater awareness in British industry of the benefits to be derived from such investment.

The negative note in the U.K. was, and continues to be, the depressed state of the aerospace, defence and related industries.

A not dissimilar situation existed in the important U.S. market. Other than aerospace there were welcome volume increases in all industrial segments of our business. Competitive pressures however did depress some margins nullifying the positive effect of volume increases which had been achieved.

Trading conditions in Continental Europe were difficult throughout the year. There are grounds for believing that the low point of the current trade cycle may have been reached, but as yet no signs of growth.

A reorganisation of the German subsidiary and increased investment in specialist marketing resources in Avdel France during the year will better equip these two important companies for the projected changed conditions. Similarly the re-organisation of our Spanish subsidiary matches capabilities to the likely market conditions in the immediate and medium term future.

Conditions in the Far East, South East Asia and Australia were rather mixed. While further volume reductions were recorded in Japan we have good reason to believe our market share strengthened in a number of important areas. It is unlikely that 1994 will witness a recovery of demand in Japan. Our Australian subsidiary once again resumed its growth path and Avdel South Korea achieved an extremely fine performance in the third full year of operations.

This geographical area is important in our strategic plans. We have committed important initiatives in sales and marketing investment which in common with our international history, will take time to achieve the calculated returns. It is only by having taken such decisions in the past that the company has become a genuine multi-national organisation with 80% of sales generated outside of the U.K.

1993 has been a satisfying as well as a satisfactory year and while not all the markets which we serve have moved into growth patterns we nonetheless feel that the most difficult period in recent economic history is behind us. In no small measure the successes we have enjoyed are due to a loyal and assiduous workforce throughout the world to whom our thanks are due. The co-operation of all Avdel employees in meeting the challenges necessary to remain competitive in a truly global business is noteworthy.

1994 has started reasonably well and barring unforeseen circumstances should see a continuation of recent trends.

JOHN MARLEY

**DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 1993**

The directors present their report and audited financial statements for the year ended 31 December 1993.

1. PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND DEVELOPMENT OF THE GROUP

The consolidated profit and loss account for the year is set out on page 12.

The activities of the group were the manufacture and marketing of engineered fastening and assembly systems.

The Chairman's statement reviews the development of the group and the principal events of the year.

2. CHANGES IN PRESENTATION OF THE FINANCIAL STATEMENTS

Following the introduction of Financial Reporting Standard No 3, Reporting Financial Performance, 'FRS3' the following changes in the presentation of the financial statements have been made to conform with the new requirements:-

- (a) Turnover and operating profit have been reported as continuing operations. There were no discontinued or additional operations during the year.
- (b) A statement of total recognised gains and losses has been presented together with a reconciliation of movements in shareholders' funds.

3. RESULTS OF THE YEAR AND DIVIDENDS

The group profit for the year after taxation was £8.42 million (1992 £7.14 million).

An interim dividend of 1p per share (1992 1p per share) was paid on 1 April 1993 in respect of the year ended 31 December 1993.

The directors do not recommend the payment of a final dividend.

After payment of the above dividend, £6.49 million of the profit for the financial year will be transferred to the group's reserves.

4. SHARE CAPITAL

By Special Resolution on 3 August 1993 all the 1,750,000 10% Cumulative Redeemable Preference Shares of £1 each and 400,000 10% Cumulative Preference Shares of £1 each were converted at par into a single class of 10.25% Cumulative Preference Shares of £1 each with the preference dividends being paid half yearly in arrears on 30 June and 31 December.

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 1993

5. DIRECTORS

(a) Directors at the date of this report and throughout the year:

The directors of the company at 31 December 1993, all of whom have been directors for the whole of the year ended on that date, are listed on page 2.

Biographical details of the independent non-executive directors are as follows:-

P P Bailey (56) Attorney

The trustee appointed under the Voting Trust Agreement. Is a partner of Squire, Sanders and Dempsey and was appointed a director of Avdel in 1989.

R G Crawford CBE (69)

A director of a number of private companies. Formerly chairman of Silver Navigation Limited, Vice Chairman of Port of London Authority and Board Member of the Civil Aviation Authority. Has been a director of Avdel plc since 1983.

A M Davies (59) Chartered Accountant

Chairman of a number of public companies including Simon Engineering plc, Calor Group PLC and National Express Group plc. He is also a non executive director of British Airways plc. Has been a director of Avdel plc since 1983.

(b) Directors retiring and seeking re-election :

The director retiring by rotation is Mrs P P Bailey who, being eligible, offers herself for re-election. Mrs Bailey does not have a service contract with the company.

Mr R G Crawford will attain the age of 70 on 20 March 1994, and so will retire at the next Annual General Meeting. Special Notice is hereby given of the intention to propose the re-election of Mr Crawford. Mr Crawford does not have a service contract with the company.

(c) Directors' interests :

(i) Mrs P P Bailey is the Trustee appointed under the Voting Trust Agreement dated 13 March 1989 and incorporated into the Agreement to Hold Separate dated 28 October 1993. All of the issued preference and ordinary shares are registered in her name or in the name of nominees under her control. Other than Mrs Bailey, none of the directors who held office at 31 December 1993 held any beneficial interest in the shares or stocks of the ultimate holding company, or the company, or any of the subsidiary undertakings.

(ii) During the year none of the directors had a beneficial interest in any contract to which the company was a party.

**DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 1993**

6. FIXED ASSETS

The movements in fixed assets during the year are set out in note 11 to the financial statements.

7. RESEARCH AND DEVELOPMENT

The major research and development of the group is conducted in the UK subsidiary, Avdel Systems Limited. Product development is also carried on in both the German and US subsidiaries.

8. CHARITABLE AND POLITICAL CONTRIBUTIONS

There were charitable donations of £725 but no political contributions during the year.

9. EMPLOYMENT OF DISABLED PEOPLE

The group supports the employment of disabled people wherever possible, through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

10. EMPLOYEE INVOLVEMENT

The group is organised on a decentralised basis and the management of each subsidiary undertaking is responsible for the development of employee participation practices which are appropriate to its own particular needs.

11. INSURANCE OF DIRECTORS AND OFFICERS

The ultimate holding company has maintained insurance cover for directors and officers against liabilities in relation to the company.

12. DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The directors are required by UK company law 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 as at the end of the financial year and of the profit or loss, total recognised gains or losses and cash flows of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 December 1993. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and the group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 1993

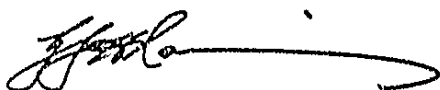
13. CORPORATE GOVERNANCE

The directors have reviewed the report of the Cadbury Committee on the financial aspects of corporate governance. The directors do not consider compliance with the Code is appropriate at this stage as the company is effectively a wholly owned subsidiary of Textron Inc (note 27) and the quoted 10.5% Unsecured Loan Stock 1996/98 represents only a small part of the net worth of the company.

14. AUDITORS

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the Board



G J H Rainey
Secretary
Mundells
Welwyn Garden City
Hertfordshire AL7 1QB

16 March 1994

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
YEAR ENDED 31 DECEMBER 1993**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Changes in accounting policies

The new accounting standard, FRS 3, requires the adoption of accounting policies which differ from those previously adopted by the group. However, the presentation of the financial statements for 1993 and the 1992 comparative has not been affected.

- (a) In previous years profits and losses on the sale of fixed assets carried at valuation have been included in the profit and loss account based on the difference between proceeds and depreciated historical cost. This policy has now been changed and such profits and losses will now be included based on the difference between proceeds and net carrying amount, whether at valuation or at depreciated historical cost. All group assets for 1993 and 1992 are stated at historical cost.
- (b) In previous years certain profits and losses were treated as extraordinary items in accordance with standard accounting practice at that time. Such profits or losses will in future be treated as exceptional items and shown after operating profit, but before interest, in accordance with the new accounting standard.
- (c) In previous years earnings per share has been calculated on the figure for profit after taxation, minority interests and preference dividends, but before extraordinary items. Under the new accounting standard earnings per share is based on profit after taxation, minority interests, preference dividends and extraordinary items.

Basis of accounting

The financial statements are prepared on the historical cost convention.

Basis of consolidation

- (a) The consolidated group financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 31 December 1993.
- (b) The results of subsidiary undertakings sold or acquired are included in the consolidated profit and loss account up to or from the date control passes.
- (c) Intra-group sales and profits are eliminated fully on consolidation.

Turnover

Turnover, which excludes value added tax and sales between group undertakings, represents amounts invoiced for products sold.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
YEAR ENDED 31 DECEMBER 1993**

Pensions

Pension costs are fully provided in accordance with regular actuarial recommendations. See note 25 to the financial statements.

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

Development, patents, research and trade marks

All expenses are written off as incurred.

Taxation

The profit and loss account charge is calculated at current rates of corporation tax and overseas tax on the profits for the year, and includes deferred tax calculated at the appropriate rates by the liability method on any timing differences, to the extent that it is probable that they will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

Finance and operating leases

Finance leased assets are capitalised and depreciated over the period of the lease or their estimated useful life.

Finance lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account using the annuity method.

All other leases are "operating leases", and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Foreign currencies

- (a) Assets and liabilities of subsidiary undertakings in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of those subsidiaries are translated at the average rates of exchange for the year.
- (b) Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings and from the translation of the results of those companies at average rates, are taken to reserves and are reported in the statement of total recognised gains and losses.
- (c) All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Goodwill

Goodwill arising on consolidation, representing the excess of the cost of the investment in subsidiary and associate undertakings over the fair value of net tangible assets acquired, is written off against reserves.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
YEAR ENDED 31 DECEMBER 1993

Associated undertaking

The group's share of the profit of its associated undertaking is included in the consolidated profit and loss account, and the group's share of its net assets is included in the consolidated balance sheet. See note 12(b) to the financial statements.

These amounts are taken from the latest management accounts of the undertaking as the latest audited financial statements are made up to a date more than six months prior to the end of the financial year of the group.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold land	nil
Freehold buildings	2%
Leasehold property : over the term of the lease but not less than	2%
Plant and machinery	10%
Fixtures, fittings, tools and equipment	20% - 25%

Stocks

These are valued at the lower of cost and net realisable value. Cost includes freight, duty and works overheads.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

Avdel plc

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1993**

	Notes	1993 £'000	1992 £'000
TURNOVER - continuing operations	2	101,684	92,614
Cost of sales		<u>(54,988)</u>	<u>(50,557)</u>
GROSS PROFIT		46,696	42,057
Net operating expenses	3	<u>(35,391)</u>	<u>(32,424)</u>
OPERATING PROFIT - continuing operations		11,305	9,633
Profit/(loss) from interest in associated undertaking		1	(12)
Interest receivable		<u>1,810</u>	<u>1,866</u>
		13,116	11,487
Interest payable and similar charges	4	<u>(1,757)</u>	<u>(2,088)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	11,359	9,399
Taxation on profit on ordinary activities	8	<u>(2,927)</u>	<u>(2,284)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,432	7,115
Minority interest		<u>(12)</u>	<u>29</u>
PROFIT FOR THE FINANCIAL YEAR	1	8,420	7,144
Dividends	9	<u>(1,931)</u>	<u>(1,861)</u>
RETAINED PROFIT FOR THE YEAR	19	<u>£ 6,489</u>	<u>£ 5,283</u>
EARNINGS PER ORDINARY SHARE	10	6.0p	5.1p

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Avdel plc

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 1993**

	Notes	1993 £'000	1992 £'000
Profit for the financial year		8,420	7,144
Currency translation difference on foreign currency net investments	20	(271) -----	2,542 -----
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		£ 8,149 -----	£ 9,686 -----

Avdel plc

**CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 1993**

	Notes	1993 £'000	1992 £'000
FIXED ASSETS			
Tangible assets	11	19,046	18,993
Intangible assets	12(b)	30	33
		<u>19,076</u>	<u>19,026</u>
CURRENT ASSETS			
Stocks	13	24,123	25,480
Debtors - amounts falling due after one year	14	1,091	915
Debtors - amounts falling due within one year	14	22,645	20,223
Cash at bank and in hand		22,415	14,945
		<u>70,274</u>	<u>61,563</u>
CREDITORS - amounts falling due within one year	15	(24,963)	(22,398)
NET CURRENT ASSETS		<u>45,311</u>	<u>39,165</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		64,387	58,191
CREDITORS - amounts falling due after one year	15	(2,896)	(2,837)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(3,709)	(3,805)
NET ASSETS		<u>£ 57,782</u>	<u>£ 51,549</u>
CAPITAL AND RESERVES			
Called up share capital	18	18,521	18,521
Share premium account	19	4,518	4,518
Profit and loss account	19	34,663	28,445
Shareholders' funds		<u>57,702</u>	<u>51,484</u>
Minority interest		80	65
		<u>£ 57,782</u>	<u>£ 51,549</u>

The financial statements on pages 9 to 35 were approved by the board of directors on 16 March 1994 and were signed on its behalf by:

J C Marley

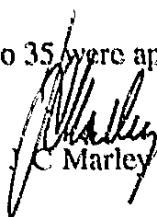
Director

Avdel plc

**BALANCE SHEET
AT 31 DECEMBER 1993**

	Notes	1993 £'000	1992 £'000
FIXED ASSETS			
Investments			
Interests in subsidiary undertakings	12(a)	26,463	26,489
Loan to a subsidiary undertaking		25,000	25,000
		-----	-----
		51,463	51,489
		-----	-----
CURRENT ASSETS			
Debtors - amounts falling due within one year	14	738	200
Cash at bank and in hand		12,414	9,901
		-----	-----
		13,152	10,101
CREDITORS - amounts falling due within one year	15	(12,619)	(11,240)
		-----	-----
NET CURRENT ASSETS/(LIABILITIES)		533	(1,139)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		51,996	50,350
CREDITORS - amounts falling due after one year	15	(529)	(529)
PROVISIONS FOR LIABILITIES AND ARGES	16	(197)	(64)
		-----	-----
NET ASSETS		£ 51,270	£ 49,757
		-----	-----
CAPITAL AND RESERVES			
Called up share capital	18	18,521	18,521
Share premium account	19	4,518	4,518
Profit and loss account	19	28,231	26,718
		-----	-----
		£ 51,270	£ 49,757
		-----	-----

The financial statements on pages 9 to 35 were approved by the board of directors on 16 March 1994 and were signed on its behalf by:


C Marley

Director

Avdel plc

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1993**

	Notes	1993 £'000	1992 £'000
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	21	15,256	15,309
Interest received		1,809	1,999
Interest paid		(2,125)	(1,903)
Interest paid on finance leases and hire purchase contracts		(206)	(241)
Dividends paid		(2,018)	(1,861)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,540)	(2,006)
CORPORATION TAX PAID		(1,874)	(3,123)
Purchase of tangible fixed assets		(3,661)	(3,569)
Sale of tangible fixed assets		103	93
Purchase of additional interest:			
- Subsidiary undertaking		-	(126)
- Participating interest		-	(157)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,558)	(3,759)
NET CASH INFLOW BEFORE FINANCING		7,284	6,421
Deposits made		(12,563)	-
Deposits recalled		3,457	-
Loans acquired		4,232	546
Loans repaid		(4,395)	(131)
Finance lease and hire purchase principal repaid		(712)	(842)
NET CASH OUTFLOW FROM FINANCING		(9,981)	(427)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	22	£ (2,697)	£ 5,994

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

1. PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the holding company is not presented with these financial statements. The consolidated profit for the financial year is made up as follows:

	1993 £'000	1992 £'000
Dealt with in the accounts of the holding company	2,620	4,528
Retained by subsidiary undertakings	5,799	2,628
Retained by associated undertaking	1	(12)
	<u>£ 8,420</u>	<u>£ 7,144</u>

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	1993			1992		
	Total	Inter-		Total	Inter-	
	£'000	segment	£'000	£'000	segment	£'000
Turnover by geographical origin:						
United Kingdom	51,055	(26,239)	24,816	47,541	(23,866)	23,675
Rest of Europe	40,063	(6,587)	33,476	40,170	(5,999)	34,171
The Americas	19,646	(1,085)	18,561	15,361	(753)	14,608
Asia, Australasia and other	24,876	(45)	24,831	20,261	(101)	20,160
	<u>£ 135,640</u>	<u>£ (33,956)</u>	<u>£ 101,684</u>	<u>£ 123,333</u>	<u>£ (30,719)</u>	<u>£ 92,614</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

2. GEOGRAPHICAL ANALYSIS OF TURNOVER (continued)

	1993 £'000	1992 £'000
Turnover by geographical destination :		
United Kingdom	19,566	17,742
Rest of Europe	35,747	37,390
The Americas	18,559	14,706
Asia, Australasia and other	27,812	22,776
	<u>£ 101,684</u>	<u>£ 92,614</u>

A comparison of the turnover for one year with another is affected by currency exchange rates, and is not necessarily a true reflection of the change in the volume of turnover.

3. NET OPERATING EXPENSES

	1993 £'000	1992 £'000
Distribution costs	22,782	21,059
Administrative expenses	12,609	11,365
	<u>£ 35,391</u>	<u>£ 32,424</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1993 £'000	1992 £'000
On bank loans, overdrafts and other loans :		
Repayable within five years, not by instalments	1,407	1,732
Repayable within five years by instalments	93	40
Repayable wholly or partly in more than five years	53	95
	<u>1,553</u>	<u>1,867</u>
 On finance leases and hire purchase contracts	 204	 221
	<u>£ 1,757</u>	<u>£ 2,088</u>

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993**

5. EMPLOYEES

(a) The average weekly number of persons (including executive directors) employed by the group during the year was :	1993 Number	1992 Number
By activity:		
Production	1,078	1,092
Selling and distribution	437	456
Administration	274	274
	<u>1,789</u>	<u>1,822</u>
(b) Staff costs (for the above persons) :	1993 £'000	1992 £'000
Wages and salaries	35,557	33,023
Social security costs	4,222	3,905
Other pension costs (note 25)	1,013	761
	<u>£ 40,792</u>	<u>£ 37,689</u>

6. DIRECTORS' REMUNERATION

	1993 £'000	1992 £'000
(a) Paid to the directors :		
Fees	30	30
Emoluments and pension contributions	407	186
	<u>437</u>	<u>216</u>
Pensions paid to former directors	21	21
	<u>£ 458</u>	<u>£ 237</u>
(b) The emoluments of the Chairman, who was also the highest paid director, excluding pension contributions but including a discretionary bonus awarded by the Directors for fiscal 1992, a performance related bonus based on achievement of budget for 1993, a 3 year long term bonus covering the period 1991-1993 inclusive based on increase in earnings per share and benefits taxed as salary amounted to:	<u>£ 344</u>	<u>£ 181</u>
(c) In the year ended 31 December 1993 one director waived emoluments of £25,000 (1992 nil).		

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

6. DIRECTORS' REMUNERATION (continued)

(d) The remuneration of the directors (excluding pension contributions) was within the following ranges :	1993 Number	1992 Number
0 to £ 5,000	1	1
£ 10,001 to £ 15,000	2	2
£180,001 to £185,000	-	1
£340,001 to £345,000	1	-

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation, by geographical origin:	1993 £'000	1992 £'000
United Kingdom	9,236	6,252
Rest of Europe	2,249	3,446
The Americas	(125)	243
Asia, Australasia and other	1,101	769
Common costs and interest	(1,102)	(1,311)
	<u>£ 11,359</u>	<u>£ 9,399</u>
The profit on ordinary activities before taxation is stated after charging :	1993 £'000	1992 £'000
Depreciation:		
Tangible owned fixed assets	3,376	3,000
Tangible fixed assets held under finance leases and hire purchase contracts	749	760
Operating leases:		
Hire of plant and machinery	879	1,049
Hire of other assets	2,284	1,975
Auditors' audit remuneration:		
Company	20	45
Subsidiary undertakings	224	216
Auditors' non audit remuneration:		
Company and UK subsidiary undertakings	77	79

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

8. TAXATION	1993 £'000	1992 £'000
Tax on profit on ordinary activities:		
U.K. Corporation tax at 33% (1992 33%) :		
Current year	4,503	3,208
Less : double tax relief	(2,167)	(1,520)
	<u>2,336</u>	<u>1,688</u>
Prior year	(257)	(96)
Deferred	186	(1)
Advance corporation tax written back	(135)	(493)
Overseas taxation:		
Current year	907	1,261
Prior year	(33)	(153)
Deferred	(77)	78
	<u>£ 2,927</u>	<u>£ 2,284</u>

There was no tax on any other recognised gains and losses.

9. DIVIDENDS	1993 £'000	1992 £'000
Preference (note 18)		
10% Cumulative Redeemable Preference Shares	88	175
10% Cumulative Preference Shares	20	40
10.25% Cumulative Preference Shares	536	359
Ordinary		
Interim paid of 1.0p per share (1992 1.0p per share)	1,287	1,287
	<u>£ 1,931</u>	<u>£ 1,861</u>

10. EARNINGS PER SHARE

Earnings per share on the net basis is derived from profit on ordinary activities after taxation and minority interests, namely £ 8,420,000 (1992 £7,144,000) and after deducting preference dividends of £ 644,000 (1992 £574,000) based on the weighted average number of 128,710,148 (1992 128,710,148) Ordinary Shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

11. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 1993	2,524	31,671	10,480	44,675
Currency translation	(9)	(14)	(24)	(47)
Additions	698	2,104	1,440	4,242
Disposals	(53)	(417)	(998)	(1,468)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1993	3,160	33,344	10,898	47,402
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Depreciation				
At 1 January 1993	840	18,522	6,320	25,682
Currency translation	(1)	(1)	(37)	(39)
Charge for the year	111	2,580	1,414	4,105
Disposals	(53)	(396)	(943)	(1,392)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1993	897	20,705	6,754	28,356
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Net book value				
At 31 December 1993	£ 2,263	£ 12,639	£ 4,144	£ 19,046
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1992	£ 1,684	£ 13,149	£ 4,160	£ 18,993
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>

(a) Analysis of net book value of property:

	Land and Buildings £'000
Freehold land	378
Freehold buildings	652
Long leaseholds	800
Short leaseholds	433
	<u>-----</u>
	£ 2,263
	<u>-----</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

11. TANGIBLE FIXED ASSETS (continued)

(b) The net book value of tangible assets includes an amount of £ 1,841,000 (1992 £ 2,440,000) in respect of assets held under finance leases and hire purchase contracts.

(c) Included in the value before depreciation, is £ 1,229,000 in respect of payments on account and assets in the course of construction.

(d) Capital commitments authorised by the directors but not provided for in the financial statements:	1993 £'000	1992 £'000
Amount for which contracts placed	1,401	1,263
Amount for which no contracts placed	72	126
	<u>£ 1,473</u>	<u>£ 1,389</u>

12. INVESTMENTS

(a) INTERESTS IN SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings:

The subsidiary undertakings at the year end which principally affected either the results or the assets of the group are listed below. The nature of the business of each subsidiary undertaking is engineered fastenings and assembly systems.

Name of undertaking	Class	Proportion held* %	Country of incorporation-registration and operation
Avdel Systems Limited	Ordinary	100	England and Wales
	Preference	100	
Avdel Pty Limited	Ordinary	100	Australia
Avdel Inc	Ordinary	100	Canada
Avdel SA	Ordinary	100	France
Avdel Verbindungselemente GmbH	Ordinary	100	Germany
Avdel Srl	Ordinary	100	Italy
Avdel Kabushiki Kaisha	Ordinary	100	Japan
Avdel Korea Limited	Ordinary	90	Korea
Avdel SA	Ordinary	100	Spain
Avdel Corporation	Ordinary	100	United States of America

* all held by subsidiary undertakings

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

12. INVESTMENTS (continued)

(a) INTERESTS IN SUBSIDIARY UNDERTAKINGS (continued)

	Company £'000
Cost	
At 1 January 1993 and 31 December 1993	<u>£ 27,687</u>
Amounts written off	
At 1 January 1993	1,198
Provision in the year	26
At 31 December 1993	<u>£ 1,224</u>
Net book value	
At 31 December 1993	<u>£ 26,463</u>
At 31 December 1992	<u>£ 26,489</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

12. INVESTMENTS (continued)

(b) ASSOCIATED UNDERTAKING

	Unlisted £'000
Cost or valuation	
At 1 January 1993	225
Currency translation	(9)
Share of retained profit	1

At 31 December 1993	217

Amounts written off	
At 1 January 1993	(192)
Currency translation	5

At 31 December 1993	(187)

Net book value	
At 31 December 1993	£ 30

At 31 December 1992	£ 33

The investment is in Ejot & Avdel System AB, incorporated in Sweden, consists of 6,670 shares of SEK 100 each, which represents 33.35% of the issued share capital. The company operates as the concessionaire in Sweden for Avdel Group products, those of Ejot Eberhard Jaeger GmbH and Co. KG and certain other fastener products.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

13. STOCKS	1993 £000	1992 £000
Stocks comprise :		
Raw materials and tooling	5,629	5,835
Work in progress	3,172	3,225
Finished goods	15,322	16,420
	<u>£ 24,123</u>	<u>£ 25,480</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. DEBTORS	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Amounts falling due after one year:				
Other debtors	1,091	915		
	<u>£ 1,091</u>	<u>£ 915</u>		
Amounts falling due within one year :				
Trade debtors	20,649	18,034	-	-
Amounts owed by subsidiary undertakings	-	-	49	125
Other debtors	584	1,234	241	75
Prepayments and accrued income	1,412	955	448	-
	<u>£ 22,645</u>	<u>£ 20,223</u>	<u>£ 738</u>	<u>£ 200</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

15. CREDITORS

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Amounts falling due within one year :				
Current instalments due on loans	363	163	-	-
Bank overdrafts	9,620	9,138	8,950	7,346
Obligations under finance leases and hire purchase contracts	556	610	-	-
Trade creditors	5,976	5,035	-	-
Amounts owed to subsidiary undertakings	-	-	3,372	3,275
Dividends payable	-	87	-	87
Corporation tax	2,736	1,814	-	-
Other taxation and social security costs	1,447	1,406	8	8
Other creditors	1,011	1,083	99	367
Accruals and deferred income	3,254	3,062	190	157
	<u>£ 24,963</u>	<u>£ 22,398</u>	<u>£ 12,619</u>	<u>£ 11,240</u>
Amounts falling due after one year:				
Debenture loans	529	529	529	529
Bank loans	1,386	844	-	-
Obligations under finance leases and hire purchase contracts	1,625	1,981	-	-
	<u>3,540</u>	<u>3,354</u>	<u>529</u>	<u>529</u>
Less : Current instalments due	(919)	(773)	-	-
	<u>2,621</u>	<u>2,581</u>	<u>529</u>	<u>529</u>
Corporation tax	266	248	-	-
Other creditors	9	11	-	-
	<u>£ 2,896</u>	<u>£ 2,840</u>	<u>£ 529</u>	<u>£ 529</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

15. CREDITORS (continued)	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Debenture loans:				
Repayable otherwise than by instalments:				
10.5% Unsecured Loan Stock 1996/98	£ 529	£ 529	£ 529	£ 529
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Repayable as follows:				
Between two and five years	529	-	529	-
In five years or more	-	529	-	529
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£ 529	£ 529	£ 529	£ 529
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bank loans:				
Repayable by instalments:				
Secured Deutschmark loans repayable between 1997 and 2001 at rates of interest between 5.75% and 8.5%	500	596		
Unsecured Deutschmark loans repayable between 1995 and 1997 at rates of interest between 6.7% and 10.6%	878	238		
Not repayable by instalments	8	10		
	<u> </u>	<u> </u>		
	£ 1,386	£ 844		
	<u> </u>	<u> </u>		
The Deutschmark loans are secured by means of fixed charges on certain assets in an overseas undertaking.				
Repayable as follows:				
In one year or less	363	163		
Between one and two years	331	167		
Between two and five years	555	307		
In five years or more	137	207		
	<u> </u>	<u> </u>		
	£ 1,386	£ 844		
	<u> </u>	<u> </u>		
Obligations under finance leases and hire purchase contracts:				
Repayable as follows:				
In one year or less	556	610		
Between one and two years	341	535		
Between two and five years	511	526		
In five years or more	217	310		
	<u> </u>	<u> </u>		
	£ 1,625	£ 1,981		
	<u> </u>	<u> </u>		

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

16. PROVISIONS FOR LIABILITIES
AND CHARGES

	Group			Company		
The provisions are as follows:	Pensions and similar obligations £'000	Deferred taxation £'000	Total £'000	Pensions and similar obligations £'000	Deferred taxation £'000	Total £'000
At 1 January 1993	3,447	358	3,805	64	-	64
Currency translation	5	(14)	(9)	-	-	-
Utilised in the year	(75)	-	(75)	-	-	-
Charge/(release) for the year	(96)	84	(12)	(8)	141	133
	-----	-----	-----	---	-----	-----
At 31 December 1993	£ 3,281	£ 428	£ 3,709	£ 56	£ 141	£ 197

The provisions for pensions and similar obligations cover unfunded obligations overseas and the excess of the pension cost over the amount paid in the UK in accordance with SSAP24.

The deferred taxation is comprised of:

	Group				Company	
	Amount provided		Amount not provided		Amount Provided	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Tax effect of timing differences due to:						
Excess of tax allowances over depreciation	685	747	780	675	(1)	-
Finance leases	282	345	-	-	-	-
Other items	(471)	(499)	(49)	(185)	142	-
Tax losses carried forward	(41)	(234)	-	-	-	-
	-----	-----	-----	-----	-----	-----
	455	359	731	490	141	-
Advance corporation tax	(27)	(1)	-	-	-	-
	-----	-----	-----	-----	-----	-----
	£ 428	£ 358	£ 731	£ 490	£ 141	£ -

17. NET ASSETS

	1993 £'000	1992 £'000
Net assets by geographical origin :		
United Kingdom	21,181	20,258
Rest of Europe	11,370	13,632
The Americas	7,397	8,231
Asia, Australasia and other	8,579	6,975
Unallocated net assets	9,255	2,453
	-----	-----
	£ 57,782	£ 51,549

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

18. CALLED UP SHARE CAPITAL		1993 £'000	1992 £'000
Authorised:			
5,650,000	10.25% Cumulative Preference Shares of £1 each	5,650	3,500
	10% Cumulative Redeemable Preference Shares of £1 each	-	1,750
	10% Cumulative Preference Shares of £1 each	-	400
160,000,000	Ordinary Shares of 10p each	16,000	16,000
		<u>£ 21,650</u>	<u>£ 21,650</u>
Allotted, called up and fully paid:			
5,650,000	10.25% Cumulative Preference Shares of £1 each	5,650	3,500
	10% Cumulative Redeemable Preference Shares of £1 each	-	1,750
	10% Cumulative Preference Shares of £1 each	-	400
128,710,148	Ordinary Shares of 10p each	12,871	12,871
		<u>£ 18,521</u>	<u>£ 18,521</u>

By a Special Resolution dated 3 August 1993, all the 10% Cumulative Redeemable Preference Shares of £1 each and 10% Cumulative Preference Shares of £1 each were converted into 10.25% Cumulative Preference Shares of £1 each.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

19. RESERVES

	Share premium account £'000	Profit and loss account £'000
Group		
At 1 January 1993	4,518	28,445
Currency translation	-	(271)
Transfer from profit and loss account	-	6,489
	<u>-----</u>	<u>-----</u>
At 31 December 1993	<u>£ 4,518</u>	<u>£ 34,663</u>

**Group's share of post acquisition reserves
of associated undertaking included above**

At 1 January 1993	(12)
Retained profit for the year	1
	<u>-----</u>
At 31 December 1993	<u>£ (11)</u>

Company

At 1 January 1993	4,518	26,718
Transfer from profit and loss account	-	1,513
	<u>-----</u>	<u>-----</u>
At 31 December 1993	<u>£ 4,518</u>	<u>£ 28,231</u>

The undistributed profits of subsidiary undertakings overseas may be liable to local exchange control regulations and to taxation if distributed as dividends. There is no present intention to distribute any significant part thereof.

Certain of the overseas subsidiary undertakings have non-distributable reserves totalling £897,000.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

**20. RECONCILIATION OF MOVEMENTS
 IN SHAREHOLDERS' FUNDS**

	1993 £'000	1992 £'000
Profit for the financial year	8,420	7,144
Dividends	(1,931)	(1,861)
	-----	-----
	6,489	5,283
Currency translation	(271)	2,542
Goodwill written off during the year		
- subsidiary undertaking	-	(46)
- associate undertaking	-	(192)
	-----	-----
Net addition to shareholders' funds	6,218	7,587
Opening shareholders' funds	51,484	43,897
	-----	-----
Closing shareholders' funds	£ 57,702	£ 51,484
	=====	=====

**21. RECONCILIATION OF OPERATING PROFIT
 TO NET CASH INFLOW FROM
 OPERATING ACTIVITIES**

	1993 £'000	1992 £'000
Operating profit	11,305	9,633
Depreciation on tangible fixed assets	4,105	3,981
Gain on sale of tangible fixed assets	(27)	(34)
Decrease in stocks	1,119	1,680
Increase in debtors	(1,940)	(14)
Increase/(decrease) in creditors	865	(580)
(Decrease)/increase in pension provision	(171)	643
	-----	-----
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	£ 15,256	£ 15,309
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

22. CASH AND CASH EQUIVALENTS

Changes during the year:

	Cash at bank and in hand £'000	Bank overdrafts £'000	Remove: (deposits) loans over 3 months £'000	Cash and cash equivalents £'000
At 1 January 1992	7,653	(6,526)	846	1,973
Currency translation	528	(1,152)	238	(386)
Net increase in cash and cash equivalents	6,764	(1,460)	690	5,994
At 31 December 1992	£ 14,945	£ (9,138)	£ 1,774	£ 7,581
At 1 January 1993	14,945	(9,138)	1,774	7,581
Currency translation	(31)	(134)	67	(98)
Net decrease in cash and cash equivalents	7,501	(348)	(9,850)	(2,697)
At 31 December 1993	£ 22,415	£ (9,620)	£ (8,009)	£ 4,786

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993

23. FINANCING DURING THE YEAR

Changes during the year:	Loans, finance lease and H.P. obligations £'000	Add: deposits (loans) over 3 months £'000	Net £'000
At 1 January 1992	(3,506)	(846)	(4,352)
Currency translation	(339)	(238)	(577)
New finance lease and HP obligations	(626)	-	(626)
Cash inflow from financing	-	(546)	(546)
Cash outflow from repayments	1,117	(114)	973
	<u>£ (3,354)</u>	<u>£ (1,774)</u>	<u>£ (5,128)</u>
At 1 January 1993	(3,354)	(1,774)	(5,128)
Currency translation	(30)	(67)	(97)
New finance lease and HP obligations	(287)	-	(287)
Cash inflow from financing and deposits recalled	(786)	(6,903)	(7,689)
Cash outflow from repayments and deposits made	917	16,753	17,670
	<u>£ (3,540)</u>	<u>£ 8,009</u>	<u>£ 4,469</u>

**24. FINANCIAL COMMITMENTS UNDER
 OPERATING LEASES**

	1993		1992	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating lease commitments for the 1994 financial year, on non-cancellable leases expiring:				
In one year or less	144	277	134	423
Between one and five years	775	204	548	520
In five years or more	1,339	157	1,244	22
	<u>£ 2,258</u>	<u>£ 638</u>	<u>£ 1,926</u>	<u>£ 965</u>

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1993**

25. PENSION COMMITMENTS

The group operates a number of pension schemes for its employees. The major scheme is in the UK and is of the defined benefit type with the assets being held in trustee administered funds. The total pension cost for the Group was £ 1,013,000 (1992 £ 761,000) of which £ 366,000 (1992 £272,000) relates to schemes outside the UK.

The pension cost relating to the UK scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit credit method. The latest valuation of the UK scheme was made as at 5th April 1991. The actuarial value of the scheme's assets at this date was £ 37.4 million which was sufficient to cover 113% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The main actuarial assumptions used in the latest valuation were:

Long term investment return	9%
General salary increases	7%
Post-retirement pension increases	5%

The surplus arising in the UK scheme has in accordance with SSAP24, been spread forward over the estimated working life of the membership.

There is an annual commitment of £ 6,108 (1992 £6,108) in respect of a pension payable to a past director.

26. CONTINGENT LIABILITIES

A subsidiary has received notice from the United States Environmental Protection Agency of possible liabilities for environmental clean-up costs. In the opinion of the directors the ultimate outcome of this matter cannot be presently determined. Accordingly, no provision for any liability that may result upon the resolution of this matter has been made in these financial statements.

27. ULTIMATE HOLDING COMPANY

The ultimate holding company is Textron Inc., which is incorporated in the United States of America. However, under an agreement with the US Federal Trade Commission, pending resolution of an alleged breach of US antitrust laws, Textron Inc., is prevented from exercising any direction or control over Avdel plc. In accordance with the agreement, the share capital of the company is held by Patricia P Bailey as Trustee appointed pursuant to a Voting Trust Agreement dated 13 March 1989.

REPORT OF THE AUDITORS TO THE MEMBERS OF AVDEL PLC

We have audited the accounts on pages 9 to 35.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

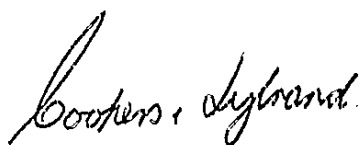
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1993 and of the profit, total recognised gains and cash flows of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London

16 March 1994