

Directors' Report

for the year ended 30 September 2008

The Directors submit the one hundred and eighteenth annual report and audited financial statements of Avon Rubber p.l.c. ('the Company') and the Avon Rubber group of companies, ('the Group') for the year ended 30 September 2008.

1 PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

As in previous years the Directors have chosen to provide further information about the Group and its businesses in an Operating and Financial Review (OFR) format, although the legal requirement to produce an OFR under the Companies Act 1985 (The Operating and Financial Review and Directors' Report etc.) Regulations 2005 was repealed in 2006. The principal objectives of the OFR are to assist stakeholders in assessing the strategies adopted by the Company and the potential for those strategies to succeed.

The Accounting Standards Board (ASB) has produced a reporting statement in relation to OFRs and, whilst the Company has taken into account the requirements of the reporting statement, the Directors have not drafted the OFR with a view to it being fully compliant with the reporting statement. The OFR is, however, compliant with s.417 of the Companies Act 2006, which came into force on 1 October 2007 for reports for financial years beginning on or after 1 October 2007.

The OFR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters that are significant to the Company and its subsidiaries when viewed as a whole. It should be read in conjunction with the consolidated financial statements and the notes thereto on pages 28 to 61.

The principal activities of the Group are the design and manufacture of respiratory protection products for defence, police, fire and other emergency services, together with the design and manufacture of a range of polymer based products for the dairy and defence industries. The Group sold its aerosol gasket business during 2008 and its UK mixing facility subsequent to the year end.

The business review, including commentary on future developments, is covered on pages 4 to 11.

2 RESULTS, DIVIDEND AND SHARE CAPITAL

The Group loss for the year after taxation amounts to £19,469,000 (2007: £1,095,000 profit). Full details are set out in the income statement on page 28.

No interim dividend was paid in respect of the half year ending 31 March 2008 (2007: 3.7p).

The Directors do not recommend that a final dividend should be paid (2007: 4.8p) resulting in a nil dividend distribution per share for the year to 30 September 2008 (2007: 8.5p).

Details of the Company's share capital including rights and obligations attaching to the shares are set out in note 20 of the financial statements.

3 DIRECTORS

The names of the Directors as at 27 November 2008 are set out on page 12.

During the year there have been three changes to the membership of the Board, all of which were announced to shareholders. Mr. B. Duckworth resigned as a Director on 30 November 2007 and Mrs. S.J. Pirie was appointed Senior Independent Non-Executive Director in his place. Mr. T.K.P. Stead stood down from the position of Chief Executive on 21 April 2008 and was succeeded in that role by Mr. P.C. Slabbert. Mr. Stead's employment will terminate by mutual consent on 15 May 2009. Mr. A.G. Lewis was appointed as Group Finance Director on 8 September 2008.

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 23.

The Board is satisfied that Sir Richard Needham, Mr. D.R. Evans and Mrs. S.J. Pirie are independent Non-Executive Directors.

Mr. A.G. Lewis retires under Article 84 and, being eligible, offers himself for re-election.

Mrs. S.J. Pirie retires by rotation and, being eligible, offers herself for re-election.

As part of the Board's annual evaluation process, each Director undertook a performance evaluation which included considering the effective contribution of Board members.

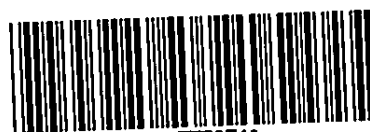
The Board confirms that Mrs. S.J. Pirie, who stands for re-election, has contributed substantially to the performance of the Board, including in her capacity as Senior Independent Non-Executive Director and Chairman of the Audit Committee. The Chairman gives full support to Mrs. Pirie's offer of re-election and draws the attention of shareholders to her profile on page 12.

All Executive Directors' service contracts with the Company require one year's notice of termination, subject to retirement, currently at age 60 or 65.

None of the Executive Directors are currently appointed as non-executive directors of any limited company outside the Group.

The Company has arranged an appropriate Directors and Officers insurance policy to provide cover in respect of legal action against its Directors.

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Directors' Report continued

for the year ended 30 September 2008

4 SUBSTANTIAL SHAREHOLDINGS

At 20 November 2008, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Schroder Investment Management- 12.9%
Howson Tattersall Investment Counsel- 9.5%
Gartmore Investment Management- 9.3%
Multi-managed- 5.8%
Aberdeen Asset Managers- 5.1%
M&G Investment Managers- 4.4%
Henderson Global Investors- 3.8%
Barclays Stockbrokers Ltd- 3.6%
Cavendish Asset Management- 3.1%

5 ACQUISITION OF OWN SHARES

No share purchases were made or funded by the Company during the year. As approved at the last annual general meeting the Company has authority to purchase up to 4,371,100 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 £18,883 (2007: £13,257) consisting exclusively of numerous small donations to charities in Wiltshire and various school and hospital charities in Michigan, Wisconsin, Georgia and Mississippi.

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 2008, the number of days purchases outstanding at the end of the financial year for the Group was 42 days (2007: 47 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 44 days (2007: 47 days).

8 FINANCIAL INSTRUMENTS

An explanation of the Group policies on the use of financial instruments and financial risk management objectives is contained in note 19 of these financial statements.

9 RESEARCH AND DEVELOPMENT

The Group continues to utilise its materials expertise to further advance its products and remain at the forefront of technology in the field of polymer technology and materials engineering. The Group maintains its links to key Universities and continues to work with new and existing customers and suppliers to develop its knowledge and product range.

In November 2007, the Group's Materials Development Centre was launched as a commercial business in its own right. ARTIS (Avon Rubber Technology, Innovation & Science) now offers its research and development services to the wider commercial market. As a result of these activities Avon continues to be recognised as a world leader in understanding the composition and use of polymer products.

10 AUDITORS

Each Director confirms that on the date that this report was approved:

- so far as they are aware, there is no relevant audit information of which the auditors are unaware;
- they have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board



M. Ingrey-Counter, Company Secretary
Melksham, Wiltshire
27 November 2008

Environmental and Social Responsibility

The Directors continue to recognise the importance of environmental, social and ethical responsibility in the Group's activities, balancing the interests of all key stakeholders and understanding the growing emphasis placed on such conduct in the regulatory environment applying to UK companies. The Group's drive for quality extends to the efforts made to ensure that the Group's environmental impact is minimised, which include the promotion of efficiency and recycling.

Aside from promoting initiatives around lean manufacturing and the reduction in levels of waste and energy use, the Group's stated policy is to direct management practices to:

- Good communication and integrity in our dealings with the communities in which we operate;
- Fostering greater understanding between the Group's businesses and the communities in which they operate;
- Encouraging employees to participate, where appropriate, in the affairs of the community and professional bodies; and
- Communicating with employees in a structured and open manner to include regular briefings and the dissemination of relevant information.

In the UK the Group maintains a fund with the Community Foundation for Wiltshire and Swindon, a charity dedicated to strengthening local communities. The Group Director of Human Resources is a trustee of the Foundation, which targets its grants to make a genuine difference to the lives of local people. This year Avon's fund provided grants to:

- the Wiltshire Music Centre Trust for the Wiltshire and Swindon Special Schools education project;
- the Mitchemp Trust towards the cost of a full time Outreach and Development Worker. The Mitchemp Trust provides positive recreation and development experiences for vulnerable children from deprived rural areas; and
- the Melksham 1st Development Trust to enable the continuation of the Berryfield Homework Club.

In the US, the businesses all take an active part in their local Chambers of Commerce and continue to seek to enhance their partnerships with local communities through employee involvement in local charities and business groups. In Wisconsin the Hi-Life plant contributed to a local school project to build an energy efficient go-kart and also funds books for local children. Avon Engineered Fabrications in Mississippi participates with local police and sheriff departments to support drug abuse prevention programmes. In Cadillac the plant has introduced a Jeans Day with all monies collected going to local charities.

EMPLOYEES

Our employees are fundamental to the growth and success of our business. An objective of the Group is to attract, retain and develop high performing employees who can facilitate and participate in the Group's pursuit of its strategic aims and add value to the business and to our stakeholders. The Group

performance management process links managers' remuneration to achievement of a range of performance targets. The Group seeks to encourage employee consultation, communication and involvement and to promote the development of potential through relevant training.

The Group applies policies and procedures which are intended to further diversity in our workforce and ensure that no employee is disadvantaged as a result of discrimination, including on grounds of sex, race, religion, disability or age.

ENVIRONMENT

Our UK production facility, Hampton Park West, had its ISO 14001 accreditation renewed for a further three years in 2008, which underlines our continuing commitment towards environmental improvement.

The Group's three environmental objectives centre around the activities of:

- Energy consumption
- Waste and recycling
- Supplier environmental development

Rising gas and electricity costs have particularly focused our attention on energy saving. Hampton Park West had already carried out a number of initiatives to improve energy efficiency over the last 5 years and a survey on behalf of the Carbon Trust in 2008 did not find any significant improvements to be made.

Hampton Park West has taken a significant step forward in the amount of solid waste – potentially destined for landfill – that is now recycled. In 2003/04 the site recycled only 58% of its solid waste. Projects were initiated to improve recycling of waste streams and by 2005/06, the amount recycled had risen to 73%.

The last year has seen polythene added to the list of recyclables and a major drive on recycling paper and cardboard. Critical in this has been commitment from the whole workforce, some of whom have suggested new initiatives. Colour-coded bins have been introduced on the factory floor and desk-side waste bins in the offices have been removed. There is still room for improvement but the amount recycled this year is up to over 85%.

Other related initiatives, which also have a cost benefit, include the reduction in cardboard used for packaging of the Group's products and a reduction in the use of air freight for delivering products to the customer.

The environmental performance of the Group's suppliers is also important. In particular, those companies who provide contract services, packaging and material components used in production have been audited to ensure that they do not have an adverse effect on the Group's own environmental footprint.

Environmental and Social Responsibility continued

In the US, our engineered fabrications facility continues to operate below the levels authorised by its Mississippi State Air Emission Permit. In addition, a project is underway to reduce the emissions associated with the use of spray based adhesives. At the Cadillac plant there is particular focus on the use, where possible, of returnable shipping containers for component parts.

SUPPLIERS

Business integrity and fair dealing is key to the Group's relationships with suppliers and contractors. Many of the Group's suppliers have long term relationships with the Group. Most key suppliers are registered to ISO 9000 and supplier development is a priority moving forward.

HEALTH AND SAFETY

The Board recognises the importance of health and safety to the business. Not only does a safe working environment contribute to employee well being, the prevention of personal injury contributes to the running of an efficient business. The Group's stated policy in this area is that management practices and employee work activity will, so far as is reasonably practicable, ensure the health, safety and welfare at work of its employees, contractors and visitors, together with the health and safety of all other persons affected by the business activities of the Group's operations.

All of the Group's businesses maintain health and safety systems that are both compliant with Group policy and appropriate to the business, with the overall objective of providing a safe and healthy working environment.

At Hampton Park West, integration of the health and safety and environmental management systems has reduced the number of procedures and led to a more efficient use of time and resources. The site continues to work to the UK rubber industry's five year action plan on health and safety entitled, "Rubbing out Risks".

In the US, at AEF the accident rate has dropped by 66% in the last year. At ISI there is a learning programme to educate employees on safe working practices and how to avoid injury. None of the Group's facilities have experienced a serious workplace injury in the last year.

By order of the Board



M. Ingre Counter, Company Secretary
Melksham, Wiltshire
27 November 2008

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 Corporate Governance ('the Code') which is available on the website of the Financial Reporting Council ('FRC'). The Company is applying the June 2006 version of the Code on a voluntary basis for the financial year commencing 1 October 2007.

The Company is a 'smaller company' for the purposes of the Code and in consequence certain provisions of the Code either do not apply to the Company or may be judged to be disproportionate or less relevant in its case.

The Company has complied throughout the year with the applicable provisions of the Combined Code other than as explained in this report.

This statement will address separately three main subject areas of the Code namely the Board, Relations with Shareholders and Accountability and Audit. Directors' remuneration is dealt with in the Remuneration Report on pages 20 to 25.

The Board confirms that it has been applying the procedures necessary to implement the Turnbull Guidance on how to apply the section of the Code dealing with internal control.

1 THE BOARD

The Board of Avon Rubber p.l.c. currently comprises a Chairman, two independent Non-Executive Directors ('the Non-Executive Directors'), and two Executive Directors who are the Chief Executive and the Group Finance Director. All Directors submit themselves for re-election at regular intervals of not more than three years and are subject to re-election at their first Annual General Meeting after appointment. Additionally, the Non-Executive Directors are appointed by the Board for specific terms and reappointment is not automatic. Non-Executive Directors submit themselves for annual re-election if they have served for more than 9 years since first election.

As announced to shareholders, Mr. T.K.P. Stead stood down from the position of Chief Executive on 21 April 2008 and was succeeded in that role by Mr. P.C. Slabbert. Mr. Slabbert also continued to fulfil the role of Group Finance Director until the appointment of Mr. A.G. Lewis as Group Finance Director on 8 September 2008.

Biographies of the directors appear on page 12. These illustrate the range of business and financial experience which the Board is able to call upon. The 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 special position and role of the Chairman under the Code is recognised by the Board and a written statement of the division of responsibilities of the Chairman and Chief Executive has been agreed by the Board. The Chairman is responsible for the leadership of the Board and the Chief Executive manages the Group and has the prime role, with the assistance of the Board, in developing and implementing business strategy.

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 Board has agreed a procedure for meetings of the Non-Executive Directors with and without the Chairman.

An annual performance evaluation was undertaken by the Board in 2008. The Chairman acted as the sponsor of the evaluation process and each Director was required to score a questionnaire for review by the Board. The Group Director of Human Resources acted as facilitator to the Board and issues arising from the process were incorporated into the Board's business as appropriate. Within the evaluation exercise, the Board addressed three key areas; the extent to which the Board focuses on the right issues, whether the Board is staffed to be effective and whether the Board has the right mechanics in place.

The Non-Executive Directors fully review the Group's operational performance and the Board as a whole has, with a view to reinforcing its oversight and control, reserved a list of powers solely to itself which are not to be delegated to management. This list is regularly reviewed and updated and includes appropriate strategic, financial, organisational and compliance issues, embracing the approval of high level announcements, circulars and the report and accounts and certain strategy and management issues. Examples of strategy and management issues include the approval of the annual operating budget and the three year plan; the extension of the Group's activities into new business and geographic areas (or their cessation); changes to the corporate or capital structure; financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees; changes to the constitution of the Board; and the approval of significant contracts, for example the acquisition or disposal of assets worth more than £1 million, or the exposure of the Company or the Group to a risk greater than £1 million.

All Directors have full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. All Directors receive an induction on joining the Board. When appointed, Non-Executive Directors are made aware of and acknowledge their ability to meet the time commitments necessary to fulfil their Board and Committee duties. 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. The Company Secretary is responsible to the Board for ensuring that all Board procedures are complied with. The removal of the Company Secretary is a decision for the Board as a whole.

Of particular importance in a governance context are 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. Notwithstanding the restriction contained in the Code on the constitution of the Audit Committee, the Non-Executive Directors have expressed a strong wish that the Chairman should remain a member the Audit Committee. The Non-Executive Directors regard the Chairman as adding significant value to the deliberations of this Committee. Furthermore, the Chairman's membership of the Audit Committee accords with the 2008 version of the Code, introduced in June 2008, which permits listed companies outside the FTSE 350 to allow the chairman to sit on the audit committee where he or she was considered independent on appointment. The 2008 version of the Code will apply to the

Corporate Governance continued

Statement of compliance with the Combined Code

financial year commencing 1 October 2008. Mrs. S.J. Pirie is Chairman of the Audit Committee and Senior Independent Non-Executive Director. The Board is satisfied that Mrs. Pirie has recent relevant financial experience and her profile appears on page 12. Sir Richard Needham chairs the Nominations Committee. Mr. D.R. Evans was appointed as Chairman of the Remuneration Committee on the resignation of Mr. B. Duckworth on 30 November 2007.

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 and the Group Director of Human Resources attend meetings of the Committee by invitation, but are absent when issues relating to each of them are discussed.

The Nominations Committee, to which the Chief Executive is normally invited, except when issues relating to him are discussed, reviews the Board structure, leads the process for Board appointments and makes recommendations to the Board, including on Board succession planning. The Nominations Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role for new appointments. In identifying potential candidates for positions as non-executive directors, the Committee has full regard to the principles of the 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 the Executive Directors. 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 reviews significant financial reporting judgements contained in formal announcements by the Company. The Committee also considers external and internal audit reports 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, including the internal management of risk, as identified in the Turnbull Guidance. 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 2008

	Full Board	Audit Committee	Remuneration Committee	Nominations Committee	
B. Duckworth	4	1	2	-	Resigned 30 Nov 2007
S.J. Pirie	19	3	7	2	
Sir Richard Needham	19	3	7	2	
D.R. Evans	18	3	7	2	
T.K.P. Stead	8	*1	*2	-	Stood down 21 Apr 2008
P.C. Slabbert	19	*3	*2	*1	
A.G. Lewis	1	-	-	-	Appointed 8 Sept 2008

* Attendance by invitation.

The full Board schedules 8 regular meetings per year. This year a number of further meetings have been held on an ad hoc basis, including by telephone conference, for example in connection with the appointment of Mr. Slabbert as Chief Executive and Mr. Lewis as Group Finance Director.

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 on the Company's website or from the Company Secretary.

2 RELATIONS WITH SHAREHOLDERS

The Directors regard communications with shareholders as extremely important. In terms of published materials the Company issues a detailed annual report and accounts and, at the half year, an interim report. Both reports are made available on the Company's website and hard copies are distributed to shareholders when requested. Further to the Transparency Directive, which has been implemented by the FSA through amendments to the Listing and Disclosure Rules, interim management statements have been issued during the year, together with a number of other event updates. 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. The 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 the Non-Executive Directors in addition to any other meetings shareholders may request.

The Non-Executive Directors, having considered the 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 Chairman, Senior Independent Non-Executive Director and Mr. Evans may be contacted upon request through the Company Secretary.

At the annual general meeting on 21 January 2009, the Board will be following the recommendations in the Code regarding the constructive use of annual general meetings; as usual, the agenda will 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 Turnbull Guidance on internal control 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 process is undertaken by members of the finance team who conduct financial audits of each of the sites at least annually. In addition, site controllers and plant managers are obliged to positively confirm, on a half yearly basis, that the controls as documented in the Internal Control Manual are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations. This process has been reviewed by the Board and continues to be monitored by the Audit Committee.

Procedures are in place to identify any major business risks and to evaluate their potential impact on the Group. These risks are described within the Operating and Financial Review on page 10. 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 Turnbull Guidance.

A Risk Management Steering Group is in place which includes in its membership one Executive Director. Its remit is to apply 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 assessed effectively and analysed and that actions are 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 business units, with appropriate reporting lines to individual Executive Directors.

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

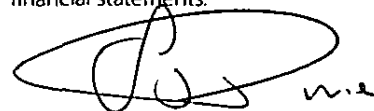
Internal controls are in existence which provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

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 directly 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. 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.

4 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.



S.J. Pirie
Chairman of the Audit Committee
27 November 2008

Remuneration Report

for the year ended 30 September 2008

Part 1 of this Report sets out the Company's remuneration policies for the Directors for the year ended 30 September 2008. 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 appropriately. Part 2 sets out audited details of the remuneration received by Directors during the year ended 30 September 2008.

PART 1. REMUNERATION POLICIES (NOT SUBJECT TO AUDIT)

EXECUTIVE DIRECTORS

Remuneration Committee

The Remuneration Committee is responsible for developing the remuneration policy for the Executive Directors and for determining their individual packages and terms of service. In establishing this policy, and to ensure consistency with the arrangements for other management levels, the Remuneration Committee has regard to pay and conditions throughout the Group and is also responsible for the remuneration packages of key senior executives. The Committee's terms of reference are available on the Company's website.

The Committee met seven times during the year. The composition of the Committee has remained unchanged during the year and comprises Mr. D.R. Evans (Chairman), Sir Richard Needham and Mrs. S.J. Pirie. The Chief Executive, Mr. P.C. Slabbert and the Group Director of Human Resources, 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 independent 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' remuneration. Towers Perrin, through Excellerate HRO, also provide administration services to the Company's employee share trust. KPMG is the Company's independent actuarial advisor on pension matters and KPMG will provide the Committee with information on executive pension arrangements when required. TLT, the Company's appointed legal advisers, provide legal advice when required. New Bridge Street Consultants provide performance monitoring data for review by the Committee in relation to the Performance Share Plan (see below).

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, increases shareholder value. The Remuneration Committee reviews executive remuneration arrangements regularly to ensure that they remain effective, competitive and appropriate to the Group's circumstances and prospects, and monitors incentive award levels and consequent company liabilities.

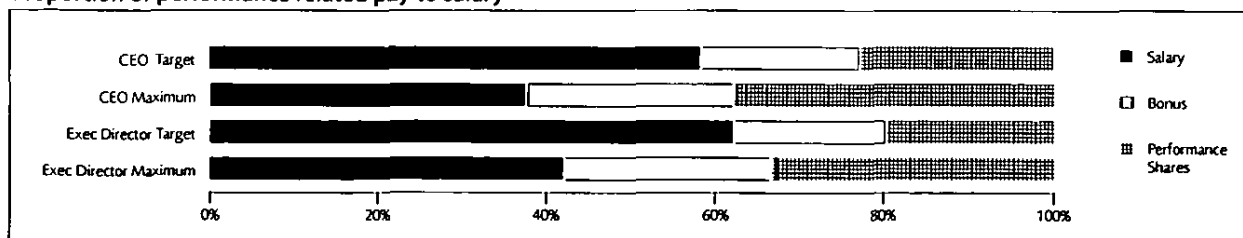
The Company's guiding policy on Executive Directors' remuneration is that:

- the Executive Directors' remuneration packages 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, both in the short and the long 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 other 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 the Group Finance Director for 2008/9, 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.

The annual base salary as at 30 September 2008 for Mr. P.C. Slabbert is £215,000 and for Mr. A.G. Lewis is £130,000.

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 the 2008/9 bonus will be based entirely on profit before interest and tax. The maximum bonus potential for 2008/9 under these arrangements is 60% of salary for the Chief Executive and 50% of salary for the Group Finance Director. Bonus payments are not pensionable.

Profit Incentive Bonus Scheme

In 2008 the Remuneration Committee approved the continuation of the Profit Incentive Bonus Scheme as a short-term measure to focus the attention of those managers at Grade 4 and above on the immediate objective of improving the Group's profitability. Performance is measured quarterly against a budgeted corporate profit before interest and tax figure. When this is equalled or exceeded, participants receive \$5,000. The maximum annual bonus amount is \$20,000. The Executive Directors participate in the scheme as part of the eligible group. The scheme operated throughout the last financial year, but no awards were payable.

Performance Share Plan

The Remuneration Committee introduced this Plan with shareholder approval at the AGM in 2002. It came into effect from 1 October 2001, with the aim of motivating Executive Directors and other senior executives to achieve performance superior to the Company's peers and to deliver sustainable improvement 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. Over a three year period:

- If the Company's TSR performance 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 comparator group, 40% of the shares may vest.
- If the Company's TSR performance is equal to, or exceeds, the upper quartile TSR of the comparator group, 100% of the shares may vest.
- If the Company's TSR performance is between the median and upper quartile TSR of the comparator group, shares may vest on a pro-rata basis.

The above schedule reflects the Remuneration Committee's intention to reward only TSR performance which outperforms the comparator group. In addition, the Committee may reduce the number of shares which will vest or decide that no shares will vest if it considers that the financial performance of the Company or the performance of the participant does not justify vesting.

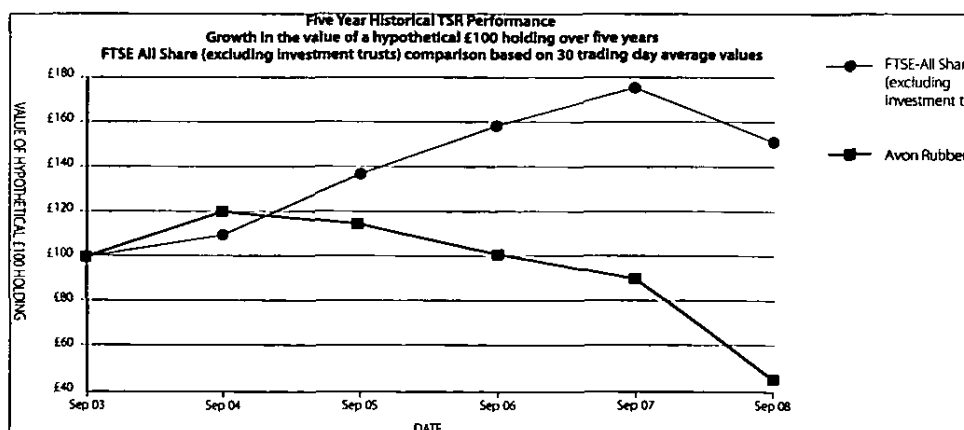
The maximum value that can be granted under the Plan in any year is 100% of salary. It is the Remuneration Committee's current intention that, as before, only the Chief Executive should receive the maximum conditional grant, with the Group Finance Director receiving 80% of salary.

As reported last year, the Remuneration Committee determined that the 2004/5 conditional award should not vest.

The Company's TSR performance in respect of the 2005/6 conditional award did not exceed the median performance of the comparator group, as calculated by New Bridge Street Consultants. The Committee therefore determined in October 2008 that the 2005/6 award should not vest.

Performance graph

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 FTSE All Share Index (excluding investment trusts). This index was chosen by the Remuneration Committee as a competitive indicator of general UK market performance.



Remuneration Report continued

for the year ended 30 September 2008

Shareholding guidelines

Under shareholding guidelines approved during 2004, Executive Directors and other senior executives participating in the Performance Share Plan during the year are required to build up and retain a shareholding in the Company. For Executive Directors the shareholding requirement is equivalent to 1.5 times base salary and for senior executives the shareholding requirement is equivalent to 1.0 times base salary. Executive Directors and senior executives are required to retain a portion of any awards that vest under the Performance Share Plan until their respective shareholding guideline is met.

Dilution

The Company reviews the awards of shares made under the various all-employee and executive share plans in terms of their effect on dilution limits. In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 2.5% and 3% respectively based on the issued share capital at 30 September 2008. It has been the Company's practice to use an Employee Share Ownership Trust in order to meet its liability for shares awarded under the Performance Share Plan. At 30 September 2008 there were 666,191 shares held in the Employee Share Ownership Trust which, in the Remuneration Committee's opinion, are adequate to cover the number of shares considered likely to vest in relation to awards granted under the Performance Share Plan to date.

Pensions and other benefits

The current Executive Directors (Mr. P.C. Slabbert and Mr. A.G. Lewis) are both based in the UK and are members of the Avon Rubber Retirement and Death Benefits Plan. Mr. Slabbert is a member of the Senior Executive Section which provides members with a defined level of benefit on retirement depending on length of service and earnings. Members can receive a pension of up to two-thirds of pensionable salary on retirement from age 60, provided the minimum service requirement of 20 years has been met. On death in service, a lump sum of four times pensionable salary is paid, along with a spouse's pension of one half of the member's prospective pension. When an Executive Director dies after retirement, a spouse's pension of one half of the member's pension is paid. Mr. Slabbert, like all members, is required to make contributions to the scheme at a rate of 7.5% of salary.

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 are offered defined contribution arrangements. Mr. Lewis is therefore a member of the money purchase section of the Plan. Members receive a pension based upon the size of their retirement account on retirement from age 65. On death in service, a lump sum of four times pensionable salary is paid, along with a spouse's pension of one quarter of the member's pensionable salary. Mr. Lewis, like all members, can make contributions to the scheme at rates of between 2% and 15% of salary.

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

Executive Directors are entitled to participate in employee healthcare plans and to receive a car allowance and related expenses. Executive Directors are also entitled to participate in the Company's Inland Revenue approved Sharesave Option Scheme, although this did not run in the year to 30 September 2008.

Neither of the Executive Directors is currently appointed as a non-executive director of any limited company outside the Group. The Remuneration Committee will establish a policy on the treatment of any fees received by Executive Directors in respect of such non-executive roles when required.

Contracts

The Company's policy is that Executive Directors should normally be employed on a contract which may be terminated either by the Company or the Executive Director giving 12 months notice and which otherwise expires on retirement, currently at age 60 for Mr. Slabbert and age 65 for Mr. Lewis. The Company may terminate the contract early without cause by making a payment in lieu of notice by monthly installments 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 Executive Directors' contracts contain early termination provisions consistent with the policy outlined above.

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

	Contract date	Years to expected retirement	Company notice period	Expected notice period
P.C. Slabbert	4 July 2005	14	12 months	12 months
A.G. Lewis	8 September 2008	28	12 months	12 months

Mr. T.K.P. Stead stood down from the role of Chief Executive on 21 April 2008. Under the terms of this arrangement Mr. Stead remains an employee of the Company on garden leave until 15 May 2009, at which point his employment will come to an end.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and Non-Executive Directors receive a fixed fee in cash 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, nor do they participate in any incentive or benefit plans.

The Chairman and the Non-Executive Directors each have a letter of appointment which specifies an initial period of appointment. The initial period for Mrs. Pirie was three years and this was extended for a further three years on 1 March 2008. Sir Richard Needham's and Mr. Evans' appointments are also for an initial period of three years subject to review after the first 12 months. Chairman and Non-Executive Director appointments are subject to Board approval and election by shareholders at the annual general meeting following appointment and, thereafter, re-election by rotation every three years. The Chairman and any Non-Executive Director who has served for more than nine years since first election are subject to annual re-election by shareholders. There are no provisions for compensation payments on early termination in the Chairman's and the Non-Executive Directors' letters 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
Sir Richard Needham	26 January 2007	23 January 2008
D.R. Evans	1 June 2007	23 January 2008
S.J. Pirie OBE	1 March 2005	19 January 2006
Former directors		
B. Duckworth OBE *	14 May 2002	20 January 2005

*Mr. B. Duckworth resigned as a Director with effect from 30 November 2007.

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
Sir Richard Needham	41,246	12,500
S.J. Pirie OBE	35,500	16,000
D.R. Evans	30,000	-
P.C. Slabbert	22,833	22,833
A.G. Lewis	-	N/A
Former directors		
T.K.P. Stead*	N/A	59,608
B. Duckworth OBE*	N/A	31,000

*Mr. B. Duckworth resigned as a Director with effect from 30 November 2007. Mr. T.K.P. Stead stood down from the role of Chief Executive on 21 April 2008 and resigned as a Director on the appointment of Mr. A.G. Lewis on 8 September 2008.

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 27 November 2008.

Remuneration Report continued

for the year ended 30 September 2008

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	Compensation for loss of office** £'000	Total 2008 £'000	Total 2007 £'000
Directors holding office throughout 2007 and 2008					
S.J. Pirie OBE (Non-Executive)	40	-	-	40	39
P.C. Slabbert (highest paid Director)	173	19	-	192	152
Total 2008	213	19	-	232	-
Total 2007	171	20	-	-	191

Appointments & resignations

The Rt. Hon. Sir Richard Needham (Chairman) (appointed 26.1.07)	70	-	-	70	48
T.C. Bonner (Chairman) (resigned 25.1.07)	-	-	-	-	20
B. Duckworth OBE (Non-Executive) (resigned 30.11.07)	7	-	-	7	39
D.R. Evans (Non-Executive) (appointed 1.6.07)	39	-	-	39	12
A.G. Lewis (appointed 8.9.08)	9	1	-	10	-
T.K.P. Stead (stood down 21.4.08, resigned 8.9.08)	128	13	267	408	243
Total 2008	466	33	267	766	-
Total 2007	511	42	-	-	553

* Other benefits are described in Part 1 on page 22.

** This payment is explained on page 22.

No Director waived emoluments in respect of the year ended 30 September 2008 (2007: 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.

	T.K.P. Stead	P.C. Slabbert
Accrued entitlement as at 30 September 2008	£48,311 pa.	£42,454 pa.
Increase in accrued entitlement over the period	£9,529 pa.	£14,174 pa.
Contributions paid by each Director over the period	£16,770	£12,840
Transfer value at 30 September 2007	£744,541	£280,847
Transfer value at 30 September 2008 or date of retirement if earlier	£979,139	£468,365
Increase in the transfer value over the year (net of Director's contributions)	£217,828	£174,678
Increase in accrued entitlement over the period (excluding inflation of 3.9%)	£8,017 pa.	£13,071 pa.
Transfer value of increase in accrued pension (net of Director's contributions)	£145,704	£131,361

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Directors' pension benefits. They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration.

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 2008 was £212,270 (2007: £181,520).

Performance Share Plan 2002 ("the 2002 Scheme")

For grants of options or conditional awards made to date pursuant to 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 SmallCap companies (excluding investment trusts).

A list of the number of shares under option granted at nil cost, to Executive Directors and senior employees, prior to 30 September 2008 and following approval of the 2002 Scheme by shareholders, is set out below:-

	Granted * 2004/5 (for the qualifying period ending 30 Sept 2007)	Granted ** 2005/6 (for the qualifying period ending 30 Sep 2008)	Granted 2006/7 (for the qualifying period ending 30 Sept 2009)	Granted 2007/8 (for the qualifying period ending 30 Sept 2010)	Lapsed in year	Total option awards outstanding at 30 Sep 2008
P.C. Slabbert	29,295	55,652	66,494	130,067	(29,295)	252,213
Former Directors***	119,903	115,942	139,610	135,269	(310,800)	199,924 *****
Other senior employees****	52,747	51,942	46,754	170,710	(52,747)	269,406

* As explained in last year's report the awards granted under the 2004/5 cycle did not vest during the year.

** The Remuneration Committee agreed on 17 October 2008 that the 2005/6 awards did not vest as the Company's TSR performance did not exceed the median performance of the comparator group.

*** This row includes awards granted to Mr. S.J. Willcox (retired 30 September 2005) and Mr. S.J. Stone (retired 31 August 2005) and Mr T.K.P. Stead (stood down 21 April 2008, resigned as a Director on 8 September 2008 and will retire on 15 May 2009). All their awards are pro-rated and may vest at the end of the relevant qualifying periods, subject to satisfaction of the applicable measures. At the end of the year there were no awards outstanding relating to Mr. S.J. Willcox or Mr. S.J. Stone.

**** This row includes awards granted to Mr. P.J. Fairbairn (retired 30 September 2007). All his awards are pro-rated and may vest at the end of the relevant qualifying periods, subject to satisfaction of the applicable measures.

***** This figure includes 235,488 in respect of key management as defined in note 9 to the financial statements.

The market price at the award date for the 2007/8 award was 165.0 pence, for the 2006/7 award was 154.0 pence, for the 2005/6 award was 172.5 pence, for the 2004/5 award was 192.0 pence and for the 2003/4 award was 217.5 pence.

Sharesave option schemes

As at 30 September 2008 none of the directors had outstanding options relating to sharesave option schemes. Other employees held options over 161,052 ordinary shares (2007: 245,371), exercisable between 2008 and 2012, at option prices ranging from £1.00 to £1.72.

All options are over ordinary shares of £1 each.

As at 30 September 2008, the market price of Avon Rubber p.l.c shares was £0.695 (2007: £1.535). During the year the highest and lowest market prices were £1.775 and £0.695 respectively.

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



D.R. Evans
Chairman of the Remuneration Committee
27 November 2008

Statement of Directors' Responsibilities

for the year ended 30 September 2008

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The Group and Company financial statements are required by law to 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:

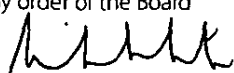
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and with regard to the Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Group and Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the Company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



M. Ingrey-Counter, Company Secretary
Meksham, Wiltshire
27 November 2008

Independent Auditors' Report

for the year ended 30 September 2008

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

We have audited the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, the Accounting Policies and Critical Accounting Judgements and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review the Environmental and Social Responsibility Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

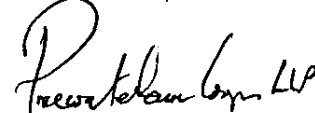
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment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

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

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 and of its loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
27 November 2008

Consolidated Income Statement

for the year ended 30 September 2008

	Note	2008 £'000	2007 £'000
Continuing operations			
Revenue	1	54,606	48,666
Cost of sales		(44,476)	(37,097)
Gross profit		10,130	11,569
Distribution costs		(3,445)	(3,100)
Administrative expenses		(20,496)	(10,273)
Other operating income		1,225	1,684
Operating loss from continuing operations	1	(12,586)	(120)
Operating loss is analysed as:			
Before exceptional items		(4,105)	(120)
Impairment of goodwill and other intangibles	2	(8,102)	–
Other exceptional operating items	2	(379)	–
Finance income	3	27	114
Finance costs	3	(1,015)	(915)
Other finance income	3	1,183	2,489
(Loss)/profit before taxation	4	(12,391)	1,568
Taxation	5	1,259	(717)
(Loss)/profit for the year from continuing operations		(11,132)	851
Discontinued operations			
(Loss)/profit for the year from discontinued operations	6	(8,337)	244
(Loss)/profit for the year		(19,469)	1,095
Profit attributable to minority interest		6	1
(Loss)/profit attributable to equity shareholders	21	(19,475)	1,094
		(19,469)	1,095
(Loss)/earnings per share	8		
Basic		(68.4)p	3.9p
Diluted		(68.4)p	3.8p
(Loss)/earnings per share from continuing operations	8		
Basic		(39.1)p	3.0p
Diluted		(39.1)p	3.0p

Consolidated Statement of Recognised Income and Expense

for the year ended 30 September 2008

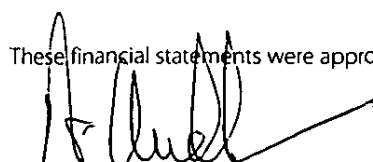
	2008 £'000	2007 £'000
(Loss)/profit for the year	(19,469)	1,095
Actuarial gain recognised in retirement benefit schemes	25,427	26,187
Movement on deferred tax relating to retirement benefit schemes	(7,158)	(4,606)
Net exchange differences offset in reserves	1,574	(2,441)
Net gains not recognised in income statement	19,843	19,140
Total recognised income for the year	374	20,235
Attributable to:		
Equity shareholders	368	20,234
Minority interest	6	1
Total recognised income for the year	374	20,235

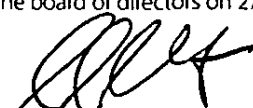
Consolidated Balance Sheet

at 30 September 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Intangible assets	11	9,549	17,305
Property, plant and equipment	12	15,491	20,041
Deferred tax assets	5	265	334
Retirement benefit assets	10	43,399	16,380
		68,704	54,060
Current assets			
Inventories	13	10,134	11,526
Trade and other receivables	14	10,684	12,773
Cash and cash equivalents	15	769	957
		21,587	25,256
Assets classified as held for sale	6	4,642	2,173
		26,229	27,429
Liabilities			
Current liabilities			
Borrowings	17	15,908	11,393
Trade and other payables	16	15,545	13,906
Deferred tax liabilities	5	–	265
Current tax liabilities		72	744
		31,525	26,308
Liabilities directly associated with assets classified as held for sale	6	1,125	1,707
		32,650	28,015
Net current liabilities		(6,421)	(586)
Non-current liabilities			
Deferred tax liabilities	5	13,289	6,251
Retirement benefit obligations	10	759	1,730
Provisions for liabilities and charges	18	5,568	2,037
		19,616	10,018
Net assets		42,667	43,456
Shareholders' equity			
Ordinary shares	20	29,141	29,125
Share premium account	21	34,708	34,707
Capital redemption reserve	21	500	500
Translation reserve	21	(1,070)	(2,644)
Retained earnings	21	(21,175)	(18,789)
Equity shareholders' funds	21	42,104	42,899
Minority interest in equity		563	557
Total equity		42,667	43,456

These financial statements were approved by the board of directors on 27 November 2008 and were signed on its behalf by:


The Rt. Hon. Sir Richard Needham


P.C. Slabbert

Consolidated Cash Flow Statement

for the year ended 30 September 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash used in operations	22	(1,149)	(1,894)
Finance income received		27	114
Finance costs paid		(946)	(896)
Tax received/(paid)		172	(438)
Net cash used in operating activities		(1,896)	(3,114)
Cash flows from investing activities			
Proceeds from sale of operations		1,847	–
Proceeds from sale of property, plant and equipment		447	14
Purchase of property, plant and equipment		(1,368)	(2,874)
Purchase of intangible assets		(1,343)	(2,445)
Net cash used in investing activities		(417)	(5,305)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		17	1,441
Net movements in loans		9,100	(2,488)
Dividends paid to shareholders		(1,367)	(2,353)
Net cash generated from/(used in) financing activities		7,750	(3,400)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		5,437	(11,819)
Cash, cash equivalents and bank overdrafts at beginning of the year		(5,037)	6,893
Effects of exchange rate changes		14	(111)
Cash, cash equivalents and bank overdrafts at end of the year	23	414	(5,037)

Accounting Policies and Critical Accounting Judgements

for the year ended 30 September 2008

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on pages 33 and 34.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial results and position the Group and its subsidiaries.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

FOREIGN CURRENCIES

The Group's presentational currency is sterling. The results and financial position of all subsidiaries and associates that have a functional currency different from sterling are translated into sterling as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average rates and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as

hedges of such investments, are taken to shareholders equity. When a foreign operation is sold, the cumulative amount of such exchange difference is recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying hedges.

REVENUE

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of trade discounts and sales related taxes. Revenue is recognised when the risks and rewards of the underlying sale have been transferred to the customer, and when collectability of the related receivables is reasonably assured, which is usually when title passes or a separately identifiable phase of a contract or development has been completed and accepted by the customer.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group's primary segment is by business as this is the dominant source and nature of Avon's risks and returns. The secondary reporting format comprises the geographic segment.

EMPLOYEE BENEFITS

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

The defined benefit plan's asset or liability as recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur, outside of the income statement and are presented in the statement of recognised income and expense. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. The scheme is now closed to new entrants.

Accounting Policies and Critical Accounting Judgements continued

for the year ended 30 September 2008

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Contributions are expensed as incurred.

The balance sheet includes post retirement obligations in respect of overseas subsidiaries where different arrangements are adopted to provide post-retirement benefits.

Share based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Identifiable net assets include intangible assets other than goodwill. Any such intangible assets are amortised over their expected future lives unless they are regarded as having an indefinite life, in which case they are not amortised, but subjected to annual impairment testing in a similar manner to goodwill.

Since the transition to IFRS, goodwill arising from acquisitions of subsidiaries after 3 October 1998 is included in intangible assets, is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising from acquisitions of subsidiaries before 3 October 1998, which was set against reserves in the year of acquisition under UK GAAP, has not been reinstated and is not included in determining any subsequent profit or loss on disposal of the related entity.

Goodwill is tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Patents and distribution networks

Patents and distribution networks, recognised as identifiable net assets of acquired subsidiaries are included in intangible assets. Patents are amortised over their expected useful lives. Distribution networks are tested for impairment at least annually

or whenever there is an indication that the asset may be impaired.

Development expenditure

In accordance with IAS 38 'Intangible Assets', expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility, is capitalised and amortised over the expected useful life of the development. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the year sales of the product are first made. Development costs capitalised are tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for research and development are not recognised.

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost or deemed cost where IFRS 1 exemptions have been applied, less accumulated depreciation and any recognised impairment losses.

Land is not depreciated. Depreciation is provided on other assets estimated to write off the depreciable amount of relevant assets by equal annual installments over their estimated useful lives.

In general, the rates used are: Freehold and long leasehold buildings - 2%, Short leasehold property - over the period of the lease, plant, machinery etc. - 6% to 50%.

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the income statement.

FIXED ASSET INVESTMENTS

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 income statement.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Leases in which a significant portion of the risks and rewards of ownership are passed to the lessee are classified as finance leases.

The sale and leaseback of property, where the sale price is at fair value and substantially all the risks and rewards of ownership are transferred to the purchaser, is treated as an operating lease. The profit or loss on the transaction is recognised immediately and lease payments charged to the income statement on a straight-line basis over the lease term.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable incremental selling expenses.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at cost after deducting provisions for impairment of receivables.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, highly liquid interest-bearing securities with maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

PROVISIONS

Provisions are recognised when;

- the Company has a legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Where a leasehold property is vacant, or sub-let under terms such that the rental income is insufficient to meet all outgoings, provision is made for the anticipated future shortfall up to termination of the lease, or the termination payment, if smaller.

TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax is charged or credited in the income statement, except where it relates to items recognised in equity, in which case it is dealt with in equity.

DIVIDENDS

Final dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

STANDARDS ADOPTED

The Group has adopted IFRIC 11, "IFRS 2 Group and Treasury Share Transactions" during the year, but this has not had a material impact on the Group's financial statements. The Group has also adopted IFRS 7, Financial Instruments: Disclosures and the related amendment to IAS 1 on capital disclosures the impact is shown in note 19.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT APPLIED

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements, were issued but the application was not mandatory for the period:

- IFRS 8 Operating Segments.
- IFRIC 12 Service Concession Arrangements.
- IFRIC 13 Customer Loyalty Programmes.
- IFRIC 15 Agreements for the Construction of Real Estate.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the net assets or results of the Group.

Accounting Policies and Critical Accounting Judgements continued

for the year ended 30 September 2008

CRITICAL ACCOUNTING JUDGEMENTS

The Group's principal accounting policies are set out above. Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies.

Areas which management believes require the most critical accounting judgements are:

Exceptional items

The Directors consider that items of income or expense which are material or non-recurring by virtue of their nature or amount should be disclosed separately if the financial statements are to fairly present the financial position and financial performance of the Group. The Directors label these items collectively as 'exceptional items'.

Retirement benefit obligations

The Group operates defined benefit schemes. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of not more than three years.

The pension cost under IAS 19 is assessed in accordance with the advice of an independent qualified actuary based on the latest actuarial valuation and assumptions determined by the actuary. The assumptions are based on information supplied to the actuary by the Group, supplemented by discussions between the actuary and management. The assumptions are disclosed in note 10 of the financial statements.

Impairment of receivables

At each balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for impairment of receivables based on experience including, for example, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, which could impact on operating results positively or negatively.

Inventory provisions

At each balance sheet date, each subsidiary evaluates the recoverability of inventories and records provisions against these based on an assessment of net realisable values. The actual net realisable value of inventory may differ from the estimated realisable values, which could impact on operating results positively or negatively.

Impairment of intangible assets

The Group records all assets and liabilities acquired in business acquisitions, including goodwill, at fair value. Intangible assets which have an indefinite useful life, principally goodwill, are assessed annually for impairment.

The Group is engaged in the development of new products and processes the costs of which are capitalised as intangible assets or tangible fixed assets if, in the opinion of management, there is a reasonable expectation of economic benefits being achieved. The factors considered in making these judgements include the likelihood of future orders and the anticipated volumes, margins and duration associated with these.

Impairment charges are made if there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the assets based upon discounted cash flow projections using an appropriate risk weighted discount factor. Rates used were between 10% and 15%.

Provisions

Provisions are made in respect of claims and warranties based on the judgement of management taking into account the nature of the claim/warranty, the range of possible outcomes and the defences open to the Group.

Notes to the Group Financial Statements

for the year ended 30 September 2008

SEGMENT INFORMATION

1

Due to the differing natures of the products and their markets, Avon Rubber p.l.c.'s primary reporting segment is by business. The secondary reporting format comprises the geographical segments by origin.

Following the disposal of the aerosol business, the Group has split its remaining business into Protection & Defence and Dairy.

Primary reporting format - business segments

Year ended 30 September 2008

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Continuing Total £'000	Discontinued Total £'000	Group £'000
Revenue	32,616	21,990		54,606		54,606
Segment result before exceptional operating items	(6,714)	2,609		(4,105)		(4,105)
Exceptional operating items	(8,481)	-		(8,481)		(8,481)
Segment result after exceptional operating items	(15,195)	2,609		(12,586)		(12,586)
Finance income			27	27		27
Finance costs			(1,015)	(1,015)		(1,015)
Other finance income			1,183	1,183		1,183
(Loss)/profit before taxation	(15,195)	2,609	195	(12,391)		(12,391)
Taxation			1,259	1,259		1,259
(Loss)/profit for the year from continuing operations	(15,195)	2,609	1,454	(11,132)		(11,132)
Loss for the year from discontinued operations					(8,337)	(8,337)
(Loss)/profit for the year	(15,195)	2,609	1,454	(11,132)	(8,337)	(19,469)
Profit attributable to minority interest						6
Loss attributable to equity shareholders						(19,475)
						(19,469)
Segment assets	34,855	7,132	48,304	90,291	4,642	94,933
Segment liabilities	9,043	2,240	39,858	51,141	1,125	52,266
Other segment items						
Capital expenditure						
- intangibles	1,318	9	-	1,327	41	1,368
- property, plant and equipment	1,053	298	-	1,351	66	1,417
Depreciation	1,114	730	-	1,844	398	2,242
Amortisation of intangibles	1,667	11	-	1,678	5	1,683
Impairment of intangibles	8,102	-	-	8,102	-	8,102

Notes to Group Financial Statements continued

for the year ended 30 September 2008

1 SEGMENT INFORMATION (continued)

Year ended 30 September 2007

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Continuing Total £'000	Discontinued Total £'000	Group £'000
Revenue	29,595	19,071		48,666		48,666
Segment result	(2,779)	2,659		(120)		(120)
Finance income			114	114		114
Finance costs			(915)	(915)		(915)
Other finance income			2,489	2,489		2,489
(Loss)/profit before taxation	(2,779)	2,659	1,688	1,568		1,568
Taxation			(717)	(717)		(717)
(Loss)/profit for the year from continuing operations	(2,779)	2,659	971	851		851
Profit for the year from discontinued operations					244	244
(Loss)/profit for the year	(2,779)	2,659	971	851	244	1,095
Profit attributable to minority interest						1
Profit attributable to equity shareholders						1,094
						1,095
Segment assets	41,368	6,825	24,201	72,394	9,095	81,489
Segment liabilities	7,192	2,074	25,803	35,069	2,964	38,033
Other segment items						
Capital expenditure						
- intangible assets	2,147	38	-	2,185	260	2,445
- property, plant and equipment	1,941	279	-	2,220	571	2,791
Depreciation	1,143	579	-	1,722	461	2,183
Impairment of property, plant and equipment	-	-	-	-	250	250
Amortisation of intangibles	1,038	7	-	1,045	9	1,054

SEGMENT INFORMATION (continued)

1

Secondary reporting format - geographical segments

Year ended 30 September 2008

	Europe £'000	North America £'000	Group £'000
Revenue	11,114	43,492	54,606
Segment assets	46,420	48,513	94,933
Capital expenditure - property, plant and equipment	402	1,089	1,491
- intangible assets	255	1,113	1,368

Year ended 30 September 2007

	Europe £'000	North America £'000	Group £'000
Revenue	13,976	34,690	48,666
Segment assets	39,687	41,802	81,489
Capital expenditure - property, plant and equipment	839	1,952	2,791
- intangible assets	882	1,563	2,445

EXCEPTIONAL OPERATING ITEMS

2

The exceptional operating items comprise:

	2008 £'000	2007 £'000
Impairment of goodwill and other intangibles (see note 11)	(8,102)	-
Other operating charges	(379)	-
Exceptional operating items	(8,481)	-

In the consolidated income statement, the impairment charges and other operating charges are included within administrative expenses.

Other operating charges relate to the further restructuring of the Group's UK operations including payment to T.K.P. Stead, the former Chief Executive, in respect of compensation for loss of office.

Notes to Group Financial Statements continued

for the year ended 30 September 2008

3 FINANCE INCOME AND COSTS

	2008 £'000	2007 £'000
Interest payable on bank loans and overdrafts	(957)	(914)
Other finance costs	(58)	(1)
Total finance costs	(1,015)	(915)
Finance income	27	114
	(988)	(801)

Other finance income represents the excess of the expected return on pension plan assets over the interest cost relating to retirement benefit obligations.

	2008 £'000	2007 £'000
Interest cost: UK scheme	(13,610)	(12,863)
Expected return on plan assets: UK scheme	14,860	15,479
Other finance cost: USA scheme	(67)	(127)
	1,183	2,489

4 (LOSS)/PROFIT BEFORE TAXATION

	2008 £'000	2007 £'000
(Loss)/profit before tax is shown after crediting:		
Rent receivable	92	78
Gain on foreign exchange	101	–
and after charging:		
Employee benefits	26,236	27,211
Charge relating to employee share schemes (note 25)	187	138
Depreciation on property, plant and equipment		
– owned assets	2,221	2,165
– leased assets	21	18
Loss on disposal of property, plant and equipment	132	–
Impairment of property, plant and equipment	–	250
Repairs and maintenance of property, plant and equipment	497	773
Amortisation of intangibles	1,683	1,054
Impairment of goodwill and intangibles	8,102	–
Research and development	687	715
Impairment of trade receivables	86	2
Loss on foreign exchange	–	8
Operating leases		
– plant and machinery	202	245
– property	1,397	1,309
Services provided to the Group (including its overseas subsidiaries) by the Group's auditors:		
Audit fees in respect of the audit of the accounts of the parent company and consolidation	56	60
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	118	121
	174	181
Other services relating to taxation	79	212
Other business advisory services	38	52
Total fees	291	445

TAXATION 5

	2008 £'000	2007 £'000
Overseas current tax	(718)	304
Overseas prior year adjustment to current tax	(187)	114
Deferred tax - current year	(382)	230
Deferred tax - prior year adjustment	28	69
Tax (credit)/charge	(1,259)	717

In addition to the total tax credited/charged to the income statement, a deferred tax charge of £7,158,000 (2007 charge of £4,606,000) has been recognised directly in equity during the year.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the standard UK tax rate applicable to profits of the consolidated entities as follows:

	2008 £'000	2007 £'000
(Loss)/profit before taxation	(20,728)	2,926
(Loss)/profit before taxation at the standard rate of 28% (2007: 30%)	(5,804)	878
Permanent differences	2,245	(202)
Losses for which no deferred taxation asset was recognised	3,286	(226)
Adjustments to taxation charge in respect of previous periods	(159)	183
Differences in overseas tax rates	(827)	84
Tax (credit)/charge	(1,259)	717

Deferred tax (assets) and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using applicable local rates.

Movements on the deferred tax account were:

	2008 £'000	2007 £'000
Liability at the beginning of the year	6,182	1,192
(Credited)/charged to the income statement	(354)	299
Charged to the statement of recognised income and expense	7,158	4,606
Exchange differences	5	85
Liability at the end of the year	12,991	6,182

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

Deferred tax liabilities

	Retirement benefit obligations £'000	Accelerated capital allowances £'000	Other £'000	Total £'000
At 30 September 2006	-	157	1,858	2,015
Charged to the income statement	-	115	72	187
Charged to the statement of recognised income and expense	4,586	-	-	4,586
At 30 September 2007	4,586	272	1,930	6,788
(Credited)/Charged to the income statement	414	(272)	(799)	(657)
Charged to the statement of recognised income and expense	7,158	-	-	7,158
At 30 September 2008	12,158	-	1,131	13,289

Notes to Group Financial Statements continued

for the year ended 30 September 2008

5 TAXATION (continued)

Deferred tax assets

	Tax losses £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 30 September 2006	–	(823)	–	(823)
Charged to the income statement	–	113	–	113
Charged to the statement of recognised income and expense	–	20	–	20
Exchange differences	–	84	–	84
At 30 September 2007	–	(606)	–	(606)
Charged to the income statement	–	303	–	303
Charged to the statement of recognised income and expense	–	–	–	–
Exchange differences	–	5	–	5
Reclassified as assets held for sale	–	(298)	–	(298)
	–	33	–	33
At 30 September 2008	–	(265)	–	(265)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	2008 £'000	2007 £'000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(265)	(334)
Included within assets held for sale	(33)	–
	(298)	(334)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	13,289	6,251
Deferred tax liability to be recovered within 12 months	–	265
	13,289	6,516
Net deferred tax liabilities	12,991	6,182

The Group has not recognised deferred tax assets in respect of the following, as it is uncertain when the criteria for recognition of those assets will be met.

	2008 £'000	2007 £'000
Losses	(9,366)	(7,059)
Accelerated capital allowances	(630)	(345)
Retirement benefit obligations	(31)	–
Other	(882)	(406)
	(10,909)	(7,810)

RESULTS FROM DISCONTINUED OPERATIONS

6

	2008 £'000	2007 £'000
Revenue	11,337	25,055
Cost of sales	(11,920)	(22,303)
Gross (loss)/profit	(583)	2,752
Distribution costs	(638)	(1,180)
Administrative expenses	(5,705)	(1,415)
Other operating income	45	87
Operating (loss)/profit from discontinued operations	(6,881)	244
Operating (loss)/profit is analysed as:		
Before exceptional items	(2,023)	244
Exceptional operating items	(4,858)	-
Loss on disposal	(1,456)	-
(Loss)/profit for the year from discontinued operations	(8,337)	244

The discontinued operations consist primarily of the UK mixing operation which was being actively marketed for sale at the year end, and subsequently disposed of in November 2008, the UK aerosol business which was sold during the year and the US engineered fabrications operation which was being actively marketed for sale at the year end.

The exceptional operating items include an impairment provision in respect of UK mixing assets and an additional charge following a review of the provisions required in respect of the previously disposed of Avon Automotive business.

Assets held for sale comprise £2,592,000 in respect of the engineered fabrications business and £2,050,000 in respect of the UK mixing operation. Liabilities associated with assets held for sale of £1,125,000 relate solely to the engineered fabrications business.

DIVIDENDS

7

	2008 £'000	2007 £'000
Dividends on equity shares:		
Final paid: 4.8p per share (2007: 4.8p per share)	1,367	1,326
Interim paid: nil (2007: 3.7p per share)	-	1,027
	1,367	2,353

The 2007 final dividend of 4.8p per share was paid on 4 February 2008 to holders of ordinary shares on the register at the close of business on 11 January 2008. The Board announced in May 2008 that there would be no interim dividend in 2008 and the trading performance in 2008 and year end debt level means that the Board do not consider it appropriate to propose a final dividend for 2008.

Notes to Group Financial Statements continued

for the year ended 30 September 2008

8 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share (EPS) is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share ownership trust. The Company has dilutive potential ordinary shares in respect of the Sharesave Option Scheme and the Performance Share Plan (see page 22).

Reconciliations of the (loss)/earnings and weighted average number of shares used in the calculations are set out below.

	2008	2007
Basic EPS		
(Loss)/profit attributable to equity shareholders of the Company (£'000)	(19,475)	1,094
Weighted average number of ordinary shares in issue (thousands)	28,473	27,885
Basic (loss)/earnings per share (pence)	(68.4)	3.9
EPS from continuing operations		
(Loss)/profit attributable to equity shareholders of the Company (£'000)	(19,475)	1,094
Loss/(profit) from discontinued operations attributable to equity shareholders of the Company (£'000)	8,337	(244)
(Loss)/profit from continuing operations attributable to equity shareholders of the Company (£'000)	(11,138)	850
Weighted average number of ordinary shares in issue (thousands)	28,473	27,885
Basic (loss)/earnings per share (pence)	(39.1)	3.0
EPS from discontinued operations		
Loss on disposal of business (£'000)	(1,456)	–
Operating (loss)/profit from discontinued operations (£'000)	(6,881)	244
(Loss)/profit from discontinued operations attributable to equity shareholders of the Company (£'000)	(8,337)	244
Weighted average number of ordinary shares in issue (thousands)	28,473	27,885
Basic (loss)/profit per share (pence)	(29.3)	0.9

9 EMPLOYEES

The total remuneration and associated costs during the year were:

	2008 £'000	2007 £'000
Wages and salaries	20,998	22,236
Social security costs	2,166	2,222
Other pension costs	3,072	2,753
Share awards costs	187	138
	26,423	27,349

Detailed disclosures of Directors' remuneration and share options are given on pages 24 and 25.

EMPLOYEES (continued)

9

The average number of employees (including Executive Directors) during the year was:

	2008 Number	2007 Number
By business segment		
Protection & Defence	551	440
Dairy	247	229
Total continuing operations	798	669
Discontinued operations	81	246
	879	915

At the end of the financial year the total number of employees in the Group was 842 (2007: 919).

Key management compensation

	2008 £'000	2007 £'000
Salaries and other employee benefits	1,226	684
Post employment benefits	96	57
Compensation for loss of office	267	96
	1,589	837

The key management figures given above include the Executive Directors plus the eight other members of the Group Executive, which was strengthened during the year to reflect the changing needs of the business.

PENSIONS AND OTHER RETIREMENT BENEFITS

10

Retirement benefit assets and liabilities can be analysed as follows:

	UK £'000	USA £'000	2008 Total £'000	2007 Total £'000
Pension asset/(liability)	43,399	(852)*	42,547	14,650
Deferred tax (liability)/asset	(12,158)	298	(11,860)	(3,980)
Net pension asset/(liability)	31,241	(554)	30,687	10,670

*Includes £93,000 presented as liabilities associated with assets held for sale.

Full disclosures are provided in respect of UK defined benefit pensions and USA post-retirement benefits below.

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 finalised actuarial valuation of the plan was carried out as at 1 April 2006 when the market value of the plan's assets was £258.2 million. The actuarial value of those assets represented 101% of the value of the benefits which had accrued to members, after allowing for future increases in salaries.

Employer contributions to the plan during the year were 8.2% of salaries, with additional payments of £25,225 per month, in respect of scheme expenses.

An updated actuarial valuation for IAS 19 purposes was carried out by an independent actuary at 30 September 2008 using the projected unit method.

Notes to Group Financial Statements continued

for the year ended 30 September 2008

10 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	2008 % p.a.	2007 % p.a.
Inflation	3.40	3.15
Rate of general long-term increase in salaries	3.65	3.65
Pension increases post August 2005	2.40	2.35
Pension increases April 1997 to August 2005	3.40	3.15
Pension increases pre April 1997	3.40	3.15
Discount rate for scheme liabilities	6.90	5.90

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2008	2007
Male	21.0	20.6
Female	24.0	23.4

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2008	2007
Male	23.0	21.3
Female	25.0	24.0

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

	Long-term rate of return expected at 30 September 2008 % p.a.	Value at 30 September 2008 £'000	Long-term rate of return expected at 30 September 2007 % p.a.	Value at 30 September 2007 £'000
Equities	8.40	105,548	7.90	91,408
Property	7.90	1,379	n/a	—
Government bonds	n/a	—	4.90	3,771
Liability driven investments	5.10	152,981	5.10	119,568
Other	6.20	1,112	6.20	37,023
Average expected long term rate of return/Total fair value of assets	6.45*	261,020	6.28*	251,770

* The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

Reconciliation of funded status to balance sheet

	Value at 30 September 2008 £'000	Value at 30 September 2007 £'000
Fair value of plan assets	261,020	251,770
Present value of funded defined benefit obligations	(217,621)	(235,390)
Asset recognised on the balance sheet	43,399	16,380

Amounts recognised in the income statement

	2008 £'000	2007 £'000
Current service cost	647	1,021
Interest cost	13,610	12,863
Expected return on plan assets	(14,860)	(15,479)
Total recognised in income statement	(603)	(1,595)

PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

10

Changes to the present value of the defined benefit obligation during the year

	2008 £'000	2007 £'000
Opening defined benefit obligation	235,390	261,936
Current service cost	647	1,021
Interest cost	13,610	12,863
Contributions by plan participants	459	581
Actuarial gains on plan liabilities*	(21,631)	(29,714)
Net benefits paid out	(10,854)	(11,297)
Closing defined benefit obligation	217,621	235,390

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year

	2008 £'000	2007 £'000
Opening fair value of plan assets	251,770	249,689
Expected return on plan assets	14,860	15,479
Actuarial gains/(losses) on plan assets	3,949	(3,583)
Contributions by the employer	836	900
Contributions by plan participants	459	582
Net benefits paid out	(10,854)	(11,297)
Closing fair value of plan assets	261,020	251,770

Actual return on plan assets

	2008 £'000	2007 £'000
Expected return on plan assets	14,860	15,479
Actuarial gain/(loss) on plan assets	3,949	(3,583)
Actual return on plan assets	18,809	11,896

Amounts recognised in the statement of recognised income and expense (SoRIE)

	2008 £'000	2007 £'000
Total actuarial gains in SoRIE	25,580	26,131
Cumulative amount of gains recognised in SoRIE	54,538	28,958

Notes to Group Financial Statements continued

for the year ended 30 September 2008

10 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

History of asset values, defined benefit obligation, surplus/(deficit) in scheme and experience gains and (losses)

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Fair value of plan assets	261,020	251,770	249,689	235,686	203,848
Defined benefit obligation	(217,621)	(235,390)	(261,936)	(250,855)	(225,246)
Surplus/(deficit) in plan	43,399	16,380	(12,247)	(15,169)	(21,398)
	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Experience gains/(losses) on plan assets	3,949	(3,583)	6,487	26,384	6,198
Experience (losses)/gains on plan liabilities	(213)	(232)	12,072	(768)	(2,507)

In addition, commencing 1 February 2003, a defined contribution scheme was introduced for new employees within the UK. The cost to the Group in respect of this scheme for the year ended 30 September 2008 was £92,000 (2007: £100,000).

USA post retirement benefits

The Group's USA subsidiaries operate a medical cover scheme under the terms of which retiring employees who have ten years service after the age of 52 and their dependents 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 liabilities of this unfunded benefit scheme were valued by an independent actuary at 30 September 2008, based on the following principal assumptions:

	2008	2007
Discount rate	7.5%	6.4%
Healthcare cost trend rate	9% reducing to 5.5% by 2009	10% reducing to 5.5% by 2009

Amounts (credited)/charged to operating profit in respect of post retirement benefits

	2008 £'000	2007 £'000
Current service cost	42	75
Past service credit	(1,144)	(460)
Total operating credit	(1,102)	(385)

Movement in provision during the year

	2008 £'000	2007 £'000
Provision at the beginning of the year	(1,730)	(2,351)
Movement:		
Current service cost	(42)	(75)
Contributions	132	117
Past service credit	1,144	460
Other finance costs	(67)	(127)
Actuarial (loss)/gain	(153)	56
Exchange difference	(136)	190
Provision at the end of the year	(852)	(1,730)
Related deferred tax asset	298	606
Net post retirement liability	(554)	(1,124)

INTANGIBLE ASSETS

11

	Goodwill £'000	Patents and distribution networks £'000	Development expenditure £'000	Other £'000	Total £'000
At 1 October 2006					
Cost	5,701	3,338	8,671	788	18,498
Accumulated amortisation and impairment	-	(339)	(348)	(757)	(1,444)
Net book amount	5,701	2,999	8,323	31	17,054
Year end 30 September 2007					
Opening net book amount	5,701	2,999	8,323	31	17,054
Exchange differences	(190)	(301)	(649)	-	(1,140)
Additions	-	-	2,354	91	2,445
Amortisation	-	(264)	(759)	(31)	(1,054)
Closing net book amount	5,511	2,434	9,269	91	17,305
At 30 September 2007					
Cost	5,511	3,004	10,034	1,090	19,639
Accumulated amortisation and impairment	-	(570)	(765)	(999)	(2,334)
Net book amount	5,511	2,434	9,269	91	17,305
Year end 30 September 2008					
Opening net book amount	5,511	2,434	9,269	91	17,305
Exchange differences	232	-	737	(3)	966
Additions	-	-	1,208	160	1,368
Disposals	-	-	(252)	(17)	(269)
Impairment	(5,743)	(2,119)	(240)	-	(8,102)
Amortisation	-	(315)	(1,284)	(84)	(1,683)
Reclassified as assets held for sale	-	-	(36)	-	(36)
Closing net book amount	-	-	9,402	147	9,549
At 30 September 2008					
Cost	5,743	3,004	11,823	1,044	21,614
Accumulated amortisation and impairment	(5,743)	(3,004)	(2,421)	(897)	(12,065)
Net book amount	-	-	9,402	147	9,549

The goodwill, patents and distribution networks relate to the acquisition of International Safety Instruments, Inc. in 2005. These have been tested for impairment and as a result of the reduced current and forecast levels of cashflow, a charge of £7,862,000 resulted in 2008.

Development expenditure is amortised over an average duration of 5 years.

Other intangible assets are primarily computer software which is amortised over an average duration of between 3 and 4 years.

Notes to Group Financial Statements continued

for the year ended 30 September 2008

12 PROPERTY, PLANT AND EQUIPMENT

	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2006				
Cost	13,746	161	38,338	52,245
Accumulated depreciation and impairment	(9,003)	(66)	(22,312)	(31,381)
Net book amount	4,743	95	16,026	20,864
Year ended 30 September 2007				
Opening net book amount	4,743	95	16,026	20,864
Exchange differences	(231)	(7)	(643)	(881)
Additions	102	10	2,679	2,791
Disposals	–	(2)	(15)	(17)
Impairment	–	–	(250)	(250)
Depreciation charge	(63)	(15)	(2,105)	(2,183)
Reclassified as assets held for sale	–	–	(283)	(283)
Closing net book amount	4,551	81	15,409	20,041
At 30 September 2007				
Cost	13,548	133	32,622	46,303
Accumulated depreciation and impairment	(8,997)	(52)	(17,213)	(26,262)
Net book amount	4,551	81	15,409	20,041
Year ended 30 September 2008				
Opening net book amount	4,551	81	15,409	20,041
Exchange differences	264	8	874	1,146
Additions	31	–	1,386	1,417
Disposals	–	–	(9)	(9)
Depreciation charge	(77)	(17)	(2,148)	(2,242)
Disposal of businesses	–	–	(1,565)	(1,565)
Reclassifications	757	–	(757)	–
Reclassified as assets held for sale	(2,716)	(19)	(562)	(3,297)
Closing net book amount	2,810	53	12,628	15,491
At 30 September 2008				
Cost	4,558	62	27,503	32,123
Accumulated depreciation and impairment	(1,748)	(9)	(14,875)	(16,632)
Net book amount	2,810	53	12,628	15,491

The property, plant and equipment relating to assets reclassified as held for sale have been valued at fair value.

INVENTORIES 13

	2008 £'000	2007 £'000
Raw materials	5,001	4,282
Work in progress	1,399	2,172
Finished goods	3,734	5,072
	10,134	11,526

The above numbers include provisions for inventory write downs of £546,000 (2007: £483,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £27,871,000 (2007: £30,854,000) of which £20,938,000 (2007: £15,485,000) relates to continuing business.

TRADE AND OTHER RECEIVABLES 14

	2008 £'000	2007 £'000
Trade receivables	8,567	9,905
Less: provision for impairment of receivables	(181)	(95)
Trade receivables - net	8,386	9,810
Prepayments	673	672
Other receivables	1,625	2,291
	10,684	12,773
Less non-current portion	-	-
Current portion	10,684	12,773

Other receivables include £956,000 (2007: £956,000) in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire. The remaining balance comprises sundry receivables which are not individually significant for disclosure.

Management considers the carrying value of trade and other receivables approximates to the fair value.

Notes to Group Financial Statements continued

for the year ended 30 September 2008

15 CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and in hand	769	791
Current asset investments	–	166
	769	957

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

16 TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Trade payables	4,730	4,966
Other taxation and social security	241	359
Other payables	2,776	3,673
Accruals	7,798	4,908
	15,545	13,906
Less non-current portion	–	–
Current portion	15,545	13,906

Other payables include £1,085,000 (2007: £982,000) of deferred consideration following the purchase of International Safety Instruments, Inc. in July 2005. The remaining balance comprises sundry payables which are not individually significant for disclosure.

17 BORROWINGS

	2008 £'000	2007 £'000
Current		
Bank loans	15,526	5,399
Bank overdrafts	382	5,994
Total borrowings	15,908	11,393
The maturity profile of the Group's borrowings at the year end was as follows:		
In one year or less, or on demand	15,908	11,393
Between 1 and 2 years	–	–
Between 2 and 5 years	–	–
	15,908	11,393

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2008 £'000	2007 £'000
Sterling	382	4,781
US dollars	15,526	6,612
	15,908	11,393

BORROWINGS 17

The Group has the following undrawn committed borrowing facilities:

	2008 Floating rate £'000	2008 Total £'000	2007 Total £'000
Expiring within one year	4,778	4,778	5,389
Expiring between one and two years	–	–	–
Total undrawn committed borrowing facilities	4,778	4,778	5,389
Bank loans and overdrafts utilised	15,908	15,908	10,697
Utilised in respect of guarantees	407	407	368
Total Group facilities	21,093	21,093	16,454

Subsequent to year end, the Group has signed agreements with its two principal bankers for new facilities of £5.0 million and \$27.2 million, the majority of which is committed to 30 June 2010. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 3.5%, and include financial covenants which are measured on a quarterly basis.

The facilities are secured by charges over UK assets and certain shares in Group companies.

The effective interest rates at the balance sheet dates were as follows:

	2008 Sterling %	2008 Dollar %	2007 Sterling %	2007 Dollar %
Bank loans	–	5.2	–	7.0
Bank overdrafts	6.3	–	7.6	–

The carrying amounts and fair value of the Group's borrowings are as follows:

	2008 Book value £'000	2008 Fair value £'000	2007 Book value £'000	2007 Fair value £'000
Bank loans and overdrafts under 1 year	15,908	15,908	11,393	11,393

PROVISIONS FOR LIABILITIES AND CHARGES 18

	Other provisions £'000	Automotive disposal £'000	Total £'000
Balance at 30 September 2007	737	1,300	2,037
Charged to the income statement (Payments)/receipts in the year	2,816 (1,465)	1,914 266	4,730 (1,199)
Balance at 30 September 2008	2,088	3,480	5,568

The provision relating to the disposal of Avon Automotive is expected to be fully utilised during the next three years.

Other provisions relate primarily to the Group's obligations for vacant property and are expected to be utilised over a five year period.

Notes to Group Financial Statements continued

for the year ended 30 September 2008

19 FINANCIAL INSTRUMENTS

Financial risk and treasury policies

The Group treasury management team maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

The Group has clearly defined policies for the management of foreign exchange and interest rate risk. The Group treasury management team is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged by the use of forward exchange contracts.

(i) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and monies on deposit with financial institutions.

The US Government through the Department of Defense is a major customer of the Group. Credit evaluations are carried out on all non Government customers requiring credit above a certain threshold, with varying approval levels set above this depending on the value of the sale. At the balance sheet date there were no significant concentrations of credit risk, except in respect of the US Government noted above.

Where possible, goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

The Group establishes an allowance for impairment in respect of receivables where recoverability is considered doubtful.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying Amount	2008 £'000	2007 £'000
Trade receivables	8,800	10,398
Other receivables	2,309	3,063
Cash and cash equivalents	796	957
Forward exchange contracts used for hedging:		
- Assets	-	-
- Liability	(16)	(5)
Total	11,889	14,413

The maximum exposure to credit risk for trade receivables at the reporting date by currency was:

Carrying Amount	2008 £'000	2007 £'000
Sterling	1,684	6,091
US dollar	7,074	4,307
Euro	42	-
Other	-	-
Total	8,800	10,398

FINANCIAL INSTRUMENTS (continued)

19

Provisions against trade receivables

The ageing of trade receivables and associated provision for impairment at the reporting date was:

	Gross 2008 £'000	Provision 2008 £'000	Gross 2007 £'000	Provision 2007 £'000
Not past due	7,607*	–	9,235	–
Past due 0-30 days	424	–	769	(8)
Past due 31-60 days	644	(72)	100	–
Past due 61-90 days	223	(26)	195	(23)
Past due more than 91 days	83	(83)	194	(64)
Total	8,981	(181)	10,493	(95)

*Includes £414,000 (2007: £588,00) presented as assets held for sale.

(ii) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facility to meet foreseeable operational expenses and at the year end had facilities of £21.1m.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Analysis of contractual cash flow maturities

	Carrying amount £'000	Contractual cash flows £'000	Less than 12 months £'000	1-2 Years £'000	2-5 Years £'000	More than 5 years £'000
30 September 2008						
Secured bank loans	15,526	15,526	15,526	–	–	–
Overdraft	382	382	382	–	–	–
Trade and other payables	16,465	16,465	16,465	–	–	–
Forward exchange contracts used for hedging:						
- Outflow	16	2,005	2,005	–	–	–
- Inflow	–	–	–	–	–	–
Total	32,389	34,378	34,378	–	–	–

Analysis of contractual cash flow maturities

	Carrying amount £'000	Contractual cash flows £'000	Less than 12 months £'000	1-2 Years £'000	2-5 Years £'000	More than 5 years £'000
30 September 2007						
Secured bank loans	5,399	5,399	5,399	–	–	–
Overdraft	5,994	5,994	5,994	–	–	–
Trade and other payables	15,613	15,613	15,613	–	–	–
Forward exchange contracts used for hedging:						
- Outflow	5	2,155	2,155	–	–	–
- Inflow	–	(340)	(340)	–	–	–
Total	27,011	28,821	28,821	–	–	–

Notes to Group Financial Statements continued

for the year ended 30 September 2008

19 FINANCIAL INSTRUMENTS (continued)

(iii) MARKET RISKS

Market risk is the risk that changes in market prices, such as currency rates and interest rates, will affect the Group's results. The objective of market risk management is to manage and control market risk within suitable parameters.

(a) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling. The currencies giving rise to this risk primarily are the US dollar and related currencies and the Euro. The Group hedges material forecast US dollar or Euro foreign currency transactional exposures using forward exchange contracts. In respect of other monetary assets and liabilities held in currencies other than sterling, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value through the income statement. The fair value of forward exchange contracts used as hedges at 30 September 2008 was a £16,000 liability (2007: a £5,000 liability) comprising an asset of nil (2007: nil) and a liability of £16,000 (2007: £5,000).

All forward exchange contracts in place at 30 September 2008 mature within one year.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of one cent in the value of the US dollar against sterling would have had a £133,000 impact on the Group's loss before tax and a one euro cent movement against sterling would have had a £33,000 impact on the Group's loss before tax for the year ended 30 September 2008. The method of estimation, which has been applied consistently, involves assessing the transaction impact of US dollar and euro cash flows and the translation impact of US dollar losses.

The following significant exchange rates applied during the year:

	Average rate 2008	Closing rate 2008	Average rate 2007	Closing rate 2007
US Dollar	1.978	1.843	1.996	2.037
Euro	1.320	1.262	1.480	1.433

(b) Interest rate risk

The Group does not undertake any hedging activity in this area. All foreign currency cash deposits are made at prevailing interest rates and where rates are fixed the period of the fix is generally not more than one month. The main element of interest rate risk concerns borrowings which are made on a floating LIBOR based rate and short-term overdrafts in foreign currencies which are also on a floating rate.

The floating rate financial liabilities comprise bank loans/overdrafts bearing interest rates fixed by reference to the relevant LIBOR or equivalent rate.

FINANCIAL INSTRUMENTS (continued)

19

The maturity profile of the Group's financial liabilities at 30 September was as follows:

	2008 £'000	2007 £'000
In one year or less	15,908	11,393
In more than one year but not more than two years	—	—
In more than two years but not more than five years	—	—
In more than five years	—	—
Total	15,908	11,393

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	Carrying amount 2008 £'000	Carrying amount 2007 £'000
Floating rate instruments		
Financial assets	796	957
Financial liabilities	(15,908)	(11,393)
	(15,112)	(10,436)

Financial liabilities consist of overdrafts which are on floating rates or short term loans on rates based on LIBOR plus a fixed margin. All cash deposits are on floating rates or overnight rates based on the relevant LIBOR or equivalent rate.

(iv) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group's net debt at the balance sheet date was:

	2008 £'000	2007 £'000
Total borrowings	15,908	11,393
Cash and cash equivalents	(796)	(957)
Group net debt	15,112	10,436

Notes to Group Financial Statements continued

for the year ended 30 September 2008

19 FINANCIAL INSTRUMENTS (continued)

(iv) FAIR VALUES

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 2008 £'000	Fair value 2008 £'000	Carrying amount 2007 £'000	Fair value 2007 £'000
Trade receivables	8,800	8,800	10,398	10,398
Other receivables	2,309	2,309	3,063	3,063
Cash and cash equivalents	796	796	957	957
Forward exchange contracts:				
- Assets	-	-	-	-
- Liabilities	(16)	(16)	(5)	(5)
Secured loans	(15,526)	(15,526)	(5,399)	(5,399)
Trade and other payables	(16,465)	(16,465)	(15,613)	(15,613)
Bank overdrafts	(382)	(382)	(5,994)	(5,994)
	(20,484)	(20,484)	(12,593)	(12,593)

Included in the above are £414,000 of trade receivables, £11,000 of other receivables, £27,000 of cash and £920,000 of trade and other payables, which have been presented within assets and liabilities held for sale.

The forward exchange contracts are cashflow hedges, the assets are held at fair value through profit and loss and the liabilities at amortised cost.

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

Forward exchange contracts are valued at year end spot rates, adjusted for the forward points to the contract's value date, and gains and losses taken to the income statement. No contract's value date is greater than one year from the year end.

Secured loans

As the loans fall due in less than one year, the notional amount is deemed to reflect the fair value.

Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

SHARE CAPITAL 20

	2008 No of shares	2008 Ordinary shares £'000	2008 Share premium £'000	2007 No of shares	2007 Ordinary shares £'000	2007 Share premium £'000
Authorised						
Ordinary shares of £1 each	37,900,000	37,900	–	37,900,000	37,900	–
Called up allotted and fully paid						
At the beginning of the year	29,124,804	29,125	34,707	28,275,284	28,275	34,191
Proceeds from shares issued pursuant to option schemes	15,877	16	1	849,520	850	516
At the end of the year	29,140,681	29,141	34,708	29,124,804	29,125	34,707

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on page 25.

Ordinary shareholders are entitled to receive dividends and are entitled to vote at meetings of the Company.

At 30 September 2008, 666,191 (2007: 666,191) ordinary shares were held by a trust in respect of obligations under the 2002 Performance Share Plan. Dividends on these shares have been waived.

CHANGES IN EQUITY 21

	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital redemption reserve £'000	Translation reserve £'000	Total £'000
At 1 October 2006	28,275	34,191	(39,249)	500	(203)	23,514
Profit for the year attributable to equity shareholders	–	–	1,094	–	–	1,094
Dividends paid	–	–	(2,353)	–	–	(2,353)
Unrealised exchange differences on overseas investments	–	–	–	–	(2,441)	(2,441)
Movement in respect of employee share schemes	–	–	138	–	–	138
Actuarial gain recognised in retirement scheme	–	–	26,187	–	–	26,187
Movement on deferred tax relating to retirement benefit obligations	–	–	(4,606)	–	–	(4,606)
New share capital subscribed	850	516	–	–	–	1,366
At 30 September 2007	29,125	34,707	(18,789)	500	(2,644)	42,899
Loss for the year attributable to equity shareholders	–	–	(19,475)	–	–	(19,475)
Dividends paid	–	–	(1,367)	–	–	(1,367)
Unrealised exchange differences on overseas investments	–	–	–	–	1,574	1,574
Movement in respect of employee share schemes	–	–	187	–	–	187
Actuarial gain recognised in retirement scheme	–	–	25,427	–	–	25,427
Movement on deferred tax relating to retirement benefit obligations	–	–	(7,158)	–	–	(7,158)
New share capital subscribed	16	1	–	–	–	17
At 30 September 2008	29,141	34,708	(21,175)	500	(1,070)	42,104

Notes to Group Financial Statements continued

for the year ended 30 September 2008

22 CASH GENERATED FROM OPERATIONS

	2008 £'000	2007 £'000
Continuing operations		
(Loss)/profit for the financial year	(11,132)	851
Adjustments for:		
Tax	(1,259)	717
Depreciation	1,844	1,883
Decrease in pension liabilities	(1,332)	(281)
Amortisation and impairment of intangibles	9,780	1,054
Finance income	(27)	(114)
Finance costs	1,015	915
Other finance income	(1,183)	(2,489)
Loss on disposal of property, plant and equipment	52	-
Movement in respect of employee share scheme	187	138
Decrease/(increase) in inventories	1,079	(2,154)
(Increase)/decrease in receivables	(216)	1,039
Increase/(decrease) in payables and provisions	1,496	(4,690)
Cash generated from/(used in) continuing operations	304	(3,131)
Discontinued operations		
Operating (loss)/profit for the financial year	(6,881)	244
Adjustments for:		
Depreciation	398	300
Impairment of property, plant and equipment	688	250
Increase/(decrease) in pension liabilities	114	(102)
Amortisation and impairment of intangibles	5	-
Loss on disposal of property, plant and equipment	80	-
Decrease in inventories	519	18
Decrease in receivables	1,512	507
Increase in payables and provisions	2,112	20
Cash (used in)/generated from discontinued operations	(1,453)	1,237
Cash used in operations	(1,149)	(1,894)

Cash flows relating to the discontinued operations are as follows:

	2008 £'000	2007 £'000
Cash flows from operating activities	(1,453)	1,237
Cash flows from investing activities	2,190	(546)
Cash flows from financing activities	-	-
Cash generated from discontinued operations	737	691

ANALYSIS OF NET DEBT 23

This note sets out the calculation of net debt, a measure considered important in explaining our financial position.

	As at 1 Oct 2007 £'000	Cash flow £'000	Exchange movements £'000	As at 30 Sept 2008 £'000
Cash at bank and in hand	791	(70)	48	769
Cash included in assets held for sale	–	27	–	27
Overdrafts	(5,994)	5,648	(36)	(382)
Current asset investments classified as cash equivalents	166	(168)	2	–
Net cash and cash equivalents	(5,037)	5,437	14	414
Debt due within 1 year	(5,399)	(9,100)	(1,027)	(15,526)
	(10,436)	(3,663)	(1,013)	(15,112)

OTHER FINANCIAL COMMITMENTS 24

	2008 £'000	2007 £'000
Capital expenditure committed	293	96

Capital expenditure committed represents the amount contracted in respect of property, plant and equipment at the end of the financial year for which no provision has been made in the financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases are:

	2008 Land and buildings £'000	2008 Other assets £'000	2007 Land and buildings £'000	2007 Other assets £'000
Within 1 year	1,300	1	1,356	149
Between 1 and 5 years	4,765	54	4,724	142
Later than 5 years	6,475	–	7,786	–
	12,540	55	13,866	291

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

Notes to Group Financial Statements continued

for the year ended 30 September 2008

25 SHARE BASED PAYMENTS

The Company operates an equity settled share based compensation plan (PSP) and an employee Sharesave Option Scheme (SAYE).

Details of these Schemes, awards granted and options outstanding are set out in the remuneration report.

The charge to the Income Statement of £187,000 (2007: £138,000) in respect of PSP and SAYE options granted after 7 November 2002 has been calculated using the Monte Carlo and Black Scholes pricing models, respectively and the following principal assumptions.

	2008 SAYE	2008 PSP	2007 SAYE	2007 PSP
Weighted average fair value (£)	0.56	0.99	0.48	0.92
Key assumptions used:				
Weighted average share price (£)	2.11	1.64	2.00	1.71
Range of exercise prices (£)	1.33-1.72	0.0	1.33-1.72	0.0
Volatility (%)	25	25	25	25
Range of risk-free interest rate (%)	4.13-5.13	4.22-4.91	4.13-5.13	4.22-4.91
Range of expected option term (yrs)	3.0-7.0	3.0	3.0-7.0	3.0
Dividend yield (%)	4.5	4.5-5.0	4.5	4.5

26 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year.

GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

27

	Group interest	Country in which incorporated
Held by Parent Company		
Avon Polymer Products Limited		UK
Avon Rubber Overseas Limited		UK
Avon Rubber Pension Trust Limited		UK
Held by Group undertakings		
Avon Engineered Fabrications, Inc.		USA
Avon Hi-Life, Inc.		USA
Avon Milk-Rite U.S.A., Inc.		USA
Avon Protection Systems, Inc.		USA
Avon Rubber & Plastics, Inc.		USA
Avon-Ames Limited	51%	UK
Avon International Safety Instruments, Inc.		USA
Nova Insurance Limited		Guernsey
PHT, Inc.		USA
Undertakings in which the Group has a participating interest		
Longbore, Inc.	9%	USA

Shareholdings are ordinary shares and, except where shown, undertakings are wholly owned by the Group and operate primarily in their country of incorporation.

All companies have a year ending in September.

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, PHT, Inc 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.

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

Parent Company Financial Statements

Independent Auditors' Report for the year ended 30 September 2008

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

We have audited the parent company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2008 which comprise the Balance Sheet, the Accounting Policies and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group Financial Statements of Avon Rubber p.l.c. for the year ended 30 September 2008.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Reviews that is cross referred from the Principle Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Environment and Social Responsibility Statement and the

Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent Company financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.



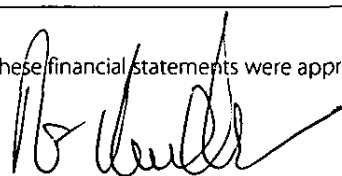
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
27 November 2008

Parent Company Balance Sheet

at 30 September 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Tangible assets	4		1,953		5,017
Investments	5		72,885		72,885
			74,838		77,902
Current assets					
Debtors - amounts falling due within one year	7	50,441		45,551	
Debtors - amounts falling due after more than one year	7	956		956	
Cash at bank and in hand		430		160	
Creditors - amounts falling due within one year	8	51,827 24,840		46,667 22,230	
Net current assets			26,987		24,437
Total assets less current liabilities			101,825		102,339
Provisions for liabilities and charges	10	908		236	
			908		236
Net assets			100,917		102,103
Capital and reserves					
Share capital	11		29,141		29,125
Share premium account	12		34,708		34,707
Capital redemption reserve	12		500		500
Profit and loss account	12		36,568		37,771
Total shareholders' funds	13		100,917		102,103

These financial statements were approved by the Board of Directors on 27 November 2008 and were signed on its behalf by:


The Rt. Hon. Sir Richard Needham


P.C. Slabbert

Parent Company Accounting Policies

for the year ended 30 September 2008

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The accounts have been prepared on a going concern basis and in accordance with the Companies Act 1985, as amended and with all applicable accounting standards in the United Kingdom (UK GAAP) under the historical cost convention modified to include the revaluation of certain properties.

As permitted by Section 230(3) of the Companies Act 1985, the Company's entity profit and loss account and statement of total recognised gains and losses have not been presented.

The Company is exempt under the terms of FRS1 (Revised 1996) "Cash Flow Statements" from the requirement to publish its own cash-flow statement, as its cash-flows are included within the consolidated cash-flow statement of the Group.

FOREIGN CURRENCIES

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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 in the short term.

IMPAIRMENT OF FIXED ASSETS

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed assets 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 is written down accordingly. Where recoverable amounts are based on value in use, discount rates of typically between 10% and 15% are used depending on the risk attached to the underlying asset.

INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

LEASED ASSETS

Operating lease rentals are charged against profit over the term of the lease on a straight line basis.

PENSIONS

The Company 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. Scheme assets are measured using market values while liabilities are measured using the projected unit method. The multi-employer exemption has been taken and no asset or provision has been reflected in the parent company's balance sheet for any surplus or deficit arising in respect of pension obligations.

The Company also provide pensions 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. Full disclosures of the UK pension schemes have been provided in the Group Financial Statements.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are recognised when a liability exists at the year end that can be measured reliably, there is an obligation to one or more third parties as a result of past transactions or events and there is an obligation to transfer economic benefits in settlement.

Provisions are calculated based on management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, after due consideration of the risks and uncertainties that surround the underlying event. Provision for reorganisation costs are made where a detailed plan has been approved and an expectation has been raised in those affected by the plan that the Company will carry out the reorganisation.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, less amounts provided for depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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. Plant and machinery are depreciated on the straight line method at rates varying between 6% and 50% per annum.

RELATED PARTIES

The Company has taken advantage of the dispensation under FRS 8, Related Party Transactions, not to disclose transactions or balances with other Group companies.

SHARE BASED PAYMENT

The Company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the Parent Company Financial Statements

for the year ended 30 September 2008

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 loss for the financial year was £1,390,000 (2007: £5,427,000).
The audit fee in respect of the parent company was £55,000 (2007: £60,000)

2 DIVIDENDS

	2008 £'000	2007 £'000
Dividends on equity shares:		
Final paid: 4.8p per share (2007: 4.8p per share)	1,367	1,326
Interim paid: nil (2007: 3.7p per share)	–	1,027
	1,367	2,353

The Directors are not proposing a final dividend in respect of the financial year ending 30 September 2008.
Dividends payable in respect of 666,191 shares (2007: 666,191) held by an Employee Share Ownership Trust and nil shares (2007: 396) shares held by the QUEST have been waived.

3 EMPLOYEES

The total remuneration and associated costs during the year were:

	2008 £'000	2007 £'000
Wages and salaries	1,581	1,421
Social security costs	160	163
Other pension costs	114	118
	1,855	1,702

Detailed disclosures of Directors' remuneration and share options are given on pages 21 and 22 in the Group accounts.
The average number of employees (including Executive Directors) during the year was: 12 (2007: 22), all of whom are classified as administrative staff.

4 TANGIBLE FIXED ASSETS

	Freeholds £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 October 2007	10,138	3,239	13,377
Transfers to group companies	–	(48)	(48)
Additions at cost	–	58	58
Disposals	(10,138)	(193)	(10,331)
At 30 September 2008	–	3,056	3,056
Accumulated depreciation:			
At 1 October 2007	7,357	1,003	8,360
Charge for the year	65	293	358
On disposals	(7,422)	(193)	(7,615)
At 30 September 2008	–	1,103	1,103
Net book amount at 30 September 2008	–	1,953	1,953
Net book amount at 30 September 2007	2,781	2,236	5,017

FIXED ASSET INVESTMENTS

5

	Investment in subsidiaries £'000
Net book value	
At 30 September 2007 and 30 September 2008	72,885

The investments consist of a 100% interest in the following subsidiaries:

	Principal activity	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of rubber and polymer based products	UK
Avon Rubber Overseas Limited	Investment Company	UK
Avon Rubber Pension Trust Limited	Pension Fund Trustee	UK

The Directors believe that the carrying value of the investments is supported by their underlying net assets or value in use. Details of investments held by these subsidiaries are given in note 27 to the Group accounts on page 61.

OTHER FINANCIAL COMMITMENTS

6

	2008 £'000	2007 £'000
Capital expenditure committed	16	–

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 Company for non-cancellable operating leases are:

	2008 Land and buildings £'000	2008 Other assets £'000	2007 Land and buildings £'000	2007 Other assets £'000
For leases expiring				
Within 1 year	–	–	–	1
In 2-5 years	–	–	51	–
Over 5 years	965	–	965	–
	965	–	1,016	1

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

DEBTORS

7

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	18	25
Amounts owed by Group undertakings	47,912	44,908
Other debtors	2,081	295
Prepayments	430	323
	50,441	45,551
Amounts falling due after more than one year:		
Other debtors	956	956
	51,397	46,507

The amount falling due after more than one year is in respect of a rent deposit relating to the company's premises in Melksham, Wiltshire.

Notes to the Parent Company Financial Statements continued

for the year ended 30 September 2008

8 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Bank loans	15,526	5,399
Bank overdrafts	-	4,811
Trade creditors	450	617
Amounts due to Group undertakings	5,580	8,374
Corporation tax	2,778	2,778
Other taxation and social security	46	51
Other creditors	55	93
Accruals	405	107
	24,840	22,230

9 BORROWINGS

	2008 £'000	2007 £'000
Current		
Bank loans	15,526	5,399
Bank overdrafts	-	4,811
Total borrowings	15,526	10,210

The maturity profile of the Company's borrowings at the year end was as follows:

In 1 year or less, or on demand	15,526	10,210
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
	15,526	10,210

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2008 £'000	2007 £'000
Sterling	-	4,811
US dollars	15,526	5,399
	15,526	10,210

10 PROVISIONS FOR LIABILITIES

	Restructuring provision £'000
Balance at 30 September 2007	236
Charged to profit and loss account	799
Payments in the year	(127)
Balance at 30 September 2008	908

The restructuring provision is expected to be fully utilised during the next year.

SHARE CAPITAL 11

	2008 £'000	2007 £'000
Authorised:		
37,900,000 ordinary shares of £1 each	37,900	37,900
Allotted and fully paid:		
29,140,681 (2007: 29,124,804) ordinary shares of £1 each	29,141	29,125

During the year 15,877 ordinary shares were issued for the consideration of £16,436.

SHARE PREMIUM ACCOUNT AND RESERVES 12

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 30 September 2007	34,707	500	37,771	72,978
Retained loss for the year	-	-	(1,390)	(1,390)
Movement in respect of employee share schemes	-	-	187	187
Proceeds from shares issued pursuant to Share Option Schemes	1	-	-	1
At 30 September 2008	34,708	500	36,568	71,776

TOTAL SHAREHOLDERS FUNDS 13

	2008 £'000	2007 £'000
At the beginning of the year	102,103	106,026
Loss for the financial year attributable to equity shareholders	(23)	(3,074)
Dividends	(1,367)	(2,353)
New share capital subscribed	17	1,366
Movement in respect of employee share scheme	187	138
At the end of the year	100,917	102,103

Five Year Record

for the year ended 30 September 2008

	IFRS 2008 £'000	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	UKGAAP 2004 (restated) £'000
Revenue	54,606	48,666	63,112	46,860	239,212
Operating (loss)/profit before exceptional items	(4,105)	(120)	(79)	(1,909)	10,116
Exceptional operating items	(8,481)	–	2,545	(1,289)	–
Operating (loss)/profit from continuing operations	(12,586)	(120)	2,466	(3,198)	10,116
Net interest and other finance income/(charges)	195	1,688	(1,219)	(1,467)	(1,431)
(Loss)/profit before taxation	(12,391)	1,568	1,247	(4,665)	8,685
Taxation	1,259	(717)	(2,045)	(1,116)	(1,658)
(Loss)/profit for the year from continuing operations	(11,132)	851	(798)	(5,781)	7,027
(Loss)/profit for the year from discontinued operations	(8,337)	244	(18,329)	735	–
(Loss)/profit for the year	(19,469)	1,095	(19,127)	(5,046)	7,027
Profit/(loss) attributable to minority interest	6	1	(209)	115	389
(Loss)/profit attributable to equity shareholders	(19,475)	1,094	(18,918)	(5,161)	6,638
Ordinary dividends	(1,367)	(2,353)	(2,331)	(2,294)	(2,245)
Retained (loss)/profit	(20,842)	(1,259)	(21,249)	(7,455)	4,393
Intangible assets and property, plant and equipment	25,040	37,346	37,918	101,736	99,993
Net assets classified as held for sale	3,517	466	–	–	–
Working capital	5,201	9,649	6,475	26,281	17,248
Provisions	(5,568)	(2,037)	(3,426)	(5,615)	(4,294)
Pension asset/(liability)	42,640	14,650	(14,598)	(23,076)	(19,654)
Net deferred tax (liability)/asset	(13,024)	(6,182)	(1,192)	92	795
Net borrowings	(15,139)	(10,436)	(1,107)	(51,719)	(29,687)
Net assets employed	42,667	43,456	24,070	47,699	64,401
Financed by:					
Ordinary share capital	29,141	29,125	28,275	28,121	27,824
Reserves attributable to equity shareholders	12,963	13,774	(4,761)	18,813	35,927
Minority shareholders' interests	563	557	556	765	650
Total equity	42,667	43,456	24,070	47,699	64,401
Basic (loss)/earnings per share	(68.4)p	3.9p	(68.9)p	(19.1)p	25.1p
Dividends per share	4.8p	8.5p	8.5p	8.5p	8.5p

2006 and 2005 are as presented in the consolidated financial statements of those years.

Notice of Annual General Meeting

for the year ended 30 September 2008

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire on 21 January 2009 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 2008 (Resolution No.1).
3. To approve the remuneration report of the Directors (as set out on pages 20 to 25 of the annual report) for the year ended 30 September 2008 (Resolution No. 2).

4. To re-elect Directors:-

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

Mrs. S.J. Pirie retires by rotation and, being eligible, offers herself for re-election (Resolution No. 4).

5. To approve the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company, 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. 5).
6. To transact any other routine business.
7. As special business to consider and if thought fit pass the following resolution which will be proposed as an Ordinary Resolution (Resolution No. 6):

"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 2010 or on 23 April 2010, whichever is the earlier, and, for such period the section 80 amount shall be £9,713,560"

8. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 7):

"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 2010 or on 23 April 2010, whichever is the earlier, and for such period the section 89 amount shall be £1,457,034"

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

"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 4,371,100;
- (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 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 2010 or, if earlier, on 23 July 2010 (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".

By order of the Board
M. Ingre-Counter, Company Secretary
Melksham, Wiltshire
27 November 2008

(1) A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Annual General Meeting ("AGM"). Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person.

(2) A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notari ally) must be returned by one of the following methods:

– in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;

– via www.capitashareportal.com; or

– in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(3) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

(4) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

(5) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 pm on 19 January 2009 (or 6.00 pm on the date two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(6) Biographical details of the Directors are shown on page 12 of the Annual Report and Accounts 2008.

(7) The issued share capital of the Company as at 27 November 2008 was 29,140,681 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

(8) The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the meeting until it ends:

- (i) the Register of Directors' interests showing any transactions of Directors and their family interests in the share capital of the Company; and
- (ii) copies of all Contracts of Service under which the Directors of the Company are employed by the Company or any of its subsidiaries.

(9) Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the members subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

Explanation of Resolution Nos. 6 and 7.

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 2008 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. 6 to renew the authority of the Directors to allot shares up to an aggregate nominal amount of £9,713,560 ("the section 80 amount"), being an amount equal to one third 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. 7 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 £1,457,034 ("the section 89 amount") being 5% of the issued ordinary share capital as at the date of the notice of meeting.

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 one third of the existing issued ordinary share capital; as in previous years one third 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. 6 and 7 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 2010 or on 23 April 2010 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. 8.

It is proposed, by way of Resolution No. 8, 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. 8 would grant the Company authority to make purchases on the London Stock Exchange of up to 4,371,100 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 2010 or, if earlier, 23 July 2010. 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 27 November 2008 there were options to subscribe outstanding over 675,061 ordinary shares, representing 2.3% of the Company's ordinary issued share capital. If the authority given by Resolution No.8 were to be fully exercised, these options would represent 2.7% of the Company's ordinary issued share capital. As of 27 November 2008 there were no warrants outstanding over ordinary shares.

The Directors intend to exercise the power given by Resolution No. 8 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.8 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.