

Directors' Report

for the year ended 30 September 2005

1 The Directors submit the one hundred and fifteenth annual report and audited financial statements of the Company and Group for the year ended 30 September 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the design and manufacture of:

- Components for the automotive industry
- Respiratory protection products for defence, police, fire and other emergency services and a range of polymer based products for a variety of markets including dairy, defence, business machines and the aerosol industry.

The business review, including commentary on future developments, is covered on pages 2 to 8.

2 RESULTS AND DIVIDEND

The group loss for the year before taxation amounts to £2,825,000 (2004: £8,685,000 profit). The Group loss for the year after taxation and minority interests amounts to £3,814,000 (2004: £6,638,000 profit). An interim dividend of 3.7p per share (2004: 3.7p) was paid on 1 July 2005. The Directors recommend a final dividend of 4.8p per share (2004: 4.8p) making a total of 8.5p per share for the year to 30 September 2005 (2004: 8.5p). Full details are set out in the profit and loss account on page 22. The total distribution of dividends for the year to 30 September 2005 is £2,341,000 (2004: £2,245,000).

3 DIRECTORS

The names of the Directors as at 19 December 2005 are set out on page 9.

During the year there have been a number of changes to the membership of the Board:-

Mr. N.A.P. Carson resigned with effect from 20 January 2005;

Mrs. S.J. Pirie was appointed as a Non-Executive Director on 1 March 2005;

Mr. S.J. Willcox relinquished the position of Chief Executive on 30 June 2005 and was succeeded in that role by Mr. T.K.P. Stead. Mr Willcox retired on 30 September 2005;

Mr. P.C. Slabbert was appointed as Finance Director on 1 July 2005;

Mr. L.J. Richards stepped down from the Board on 20 July 2005 but retained his executive responsibilities;

Mr. S.J. Stone retired on 31 August 2005.

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 17. The Board is satisfied that Mr. G.T.E. Priestley, Mr. B. Duckworth and Mrs. S.J. Pirie are independent Non-Executive Directors.

Mrs. S.J. Pirie and Mr. P.C. Slabbert retire under Article 84 and, being eligible, offer themselves for re-election.

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

As announced on 21 July 2005 Mr. G.T.E. Priestley will resign as a Director with effect from the conclusion of the annual general meeting on 19 January 2006.

In accordance with governance requirements with regard to the re-election of Non-Executive Directors, the Chairman draws shareholders' attention to the Directors' profile relating to Mrs. S.J. Pirie on page 9 of this report. Mrs. Pirie possesses skills, experience and commitment which contribute substantially to the performance of the Board and its committees and the Chairman gives his full support to her offer of re-election.

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

None of the Executive Directors is currently appointed as a non-executive director 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.

4 SUBSTANTIAL SHAREHOLDINGS

At 25 November 2005, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Schroder Investment Management Limited	15.62%
Deutsche Asset Management Limited	13.31%
Hawson Tattershall Invest Council	6.46%
Platinum Fund Managers Limited	5.90%
M&G Investment Management Limited	4.55%
Henderson Global Investors Limited	3.00%

5 ACQUISITION OF OWN SHARES

No share purchases were made or funded by the Company during the year. To provide shares to meet awards under the Performance Share Plan, the Employee Share Ownership Trust sold 683,810 shares in January 2005. Details of the awards to Directors can be found on page 19. Following the sale of the shares, the Employee Share Ownership Trust held 666,190 shares which represents 2.37% of the current issued share capital. As approved at the last annual general meeting the Company has authority to purchase up to 4,173,591 shares subject to certain terms and conditions.

6 POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year. Contributions for charitable purposes amounted to £26,000 (2004: £31,000) consisting exclusively of numerous small donations to charities including the Inspire Foundation and various school and hospital charities in Michigan.

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 2005, the number of days purchases outstanding at the end of the financial year for the Group was 63 days (2004: 60 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 29 days (2004: 24 days).

8 RESEARCH AND DEVELOPMENT

The Group continues to invest in scientific support to enable its businesses to exploit the latest materials, engineering and manufacturing technologies. The materials development centre in the UK and the product development teams around the Group work closely with our customers and suppliers to support the global manufacturing operations in the implementation of these technologies. The Group collaborates with universities and research organisations to improve material performance and to promote further understanding of the interaction between its products and their operating environment. As a result of these activities Avon continues to be recognised as a world leader in the understanding of the use of polymer products in its markets.

9 EMPLOYEES, HEALTH, SAFETY AND THE ENVIRONMENT

Employee consultation, communication and involvement have long been recognised as being of great value and these practices will be maintained as a vital element in our drive to achieve the highest standards of training and development. Consultation enables employees' views to be taken into account in matters which may affect their interests and, as part of our continuous improvement activity, managers and employees meet regularly to tackle problems together in a teamwork atmosphere. In its UK operations the Company continues to be recognised as an Investor in People.

It is the policy of the Group to encourage the employment and development of disabled persons. No unnecessary limitations are placed on the type of work performed and the policy ensures that in appropriate cases consideration is given to modifications to equipment or premises and to adjustments in working practices. Full and fair consideration is given to disabled applicants for employment and existing employees who become disabled have the opportunity to retrain and continue in employment.

The Group has a number of activities aimed at promoting employee health. For example, in its operations in North America, the Company has instituted a Wellness programme into its health plan. Under this programme employees participate in health appraisals and screenings to gain greater understanding of their personal health and to encourage a healthy lifestyle. In the UK the Group has an occupational health scheme whereby employees may receive confidential health advice.

The Directors consider the health, safety and environmental protection aspects of our business to be of great importance, as the prevention of personal injury, the avoidance of damage to health and the protection of the environment contribute to the running of an efficient business.

Management practices within the Group are designed to ensure, so far as is reasonably practicable, the health, safety and welfare at work of our employees, contractors and visitors, the health and safety of all other persons affected by our business activities and the effective planning and implementation of environmental controls, in line with appropriate legislation, standards and best practice. The Group health and safety management system is designed to enable application of a consistent approach to health and safety based on the assessment and control of risk and complements the current system for environmental protection.

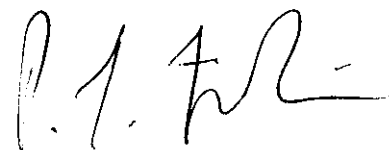
All operating sites are required by the Group to become certified to the Environmental Management Systems Standard ISO 14001.

10 AUDITORS

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

By order of the Board

P.J. Fairbairn, Secretary
Melksham, Wiltshire
19 December 2005



Corporate Governance

Statement of compliance with the Combined Code

The Company believes in high standards of corporate governance and the Board is accountable to shareholders for the Group's performance in this area. This statement describes how the Group is applying the relevant principles of governance, as set out in the Combined Code of the Principles of Good Governance and Code of Best Practice ("the Combined Code") as amended by revisions published in July 2003 ("the Revised Code") and annexed to the Listing Rules of the Financial Services Authority.

The Company is a "Smaller Company" for the purposes of the Revised Code and in consequence certain provisions of the Revised 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 and has adopted progressively provisions of the Revised Code as are referred to below.

This statement will address separately three main subject areas of the Combined Code namely The Board, Relations with shareholders and Accountability and audit. Directors' remuneration is dealt with in the Remuneration Report on pages 14 to 19.

The Board confirms that it has been applying the procedures necessary to implement the "Internal Control: Guidance for Directors on the Combined Code" ("the Turnbull Report").

1 THE BOARD

The Avon Board currently comprises a Chairman, three independent Non-Executive Directors ("the Non-Executive Directors"), and two Executive Directors who are the Chief Executive and the Finance Director. Biographies of the directors appear on page 9. 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 Revised Code is recognised by the Board and a written statement of the division of responsibilities of the Chairman and Chief Executive is agreed.

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. A procedure for formal performance evaluation was adopted by the Board during the year. Under the procedure, the Chairman will act as the sponsor of the evaluation process and each Director will be required to score a questionnaire for review by the Board and appropriate Committees. The Group Director of Human Resources will act as facilitator to the Board and comments issuing from the process will be incorporated into the ongoing business of the Board as appropriate. The appraisal of the Executive Directors will incorporate a 360 degree questionnaire which will include feedback from the Non-Executive Directors. Appraisal of Non-Executive Directors will be undertaken through face to face meetings with the Chairman. In view of the Board restructuring occurring during the year, the Board agreed that the initial evaluation should occur no earlier than the second quarter of the financial year commencing 1 October 2005.

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, reserved a list of important powers solely to itself. This list is regularly reviewed and updated and includes appropriate strategic, financial, organisational and compliance issues.

All directors have full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. All Directors receive induction on joining the Board. When appointed Non-Executive Directors are made aware of and acknowledge their ability to meet time commitments necessary to fulfill 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 Secretary is a decision for the Board as a whole.

All Directors, whether Executive or Non-Executive, are subject to re-election by shareholders at the first annual general meeting after

their appointment and are obliged to retire and, if appropriate, seek re-election by the shareholders at least every three years. Additionally, the Non-Executive Directors are appointed by the Board for specific terms and reappointment is not automatic.

Of particular importance in a governance context are three committees of the Board, namely the Remuneration Committee, the Nominations Committee and the Audit Committee. The members of the Committees comprise the Chairman and all the Non-Executive Directors. In the light of the Revised Code, the Non-Executive Directors have expressed a strong wish that the Chairman should remain a member of each of the Audit and Remuneration Committees. The Non-Executive Directors regard the Chairman as adding significant value to the deliberations of these Committees. Mrs. S.J. Pirie will succeed Mr. T.C. Bonner as Chairman of the Audit Committee on 1 January 2006. Mrs. Pirie has recent relevant financial experience and her profile appears on page 9. Mr. Bonner will continue to chair the Nominations Committee and Mr. G.T.E. Priestley, the Senior Independent Non-Executive Director, will continue to act as Chairman of the Remuneration Committee until the conclusion of the annual general meeting on 19 January 2006 when he will be succeeded as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee by Mr. B. Duckworth.

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

The Nominations Committee, to which the Chief Executive is normally invited, reviews the Board structure, identifies candidates to fill vacancies on the Board and addresses board level succession planning. In identifying potential candidates for positions as non-executive directors, the Committee has full regard to the principles of the Revised 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. The Group Internal Auditor attends at least two meetings a year. At all meetings time is allowed for the Audit Committee to discuss issues with the external auditors with no Executive Directors present. As well as reviewing draft preliminary and interim statements, the Committee considers reports prepared by the internal and external auditors and monitors all services provided by, and fees payable to, the external auditors to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained. As part of its work, and in line with its terms of reference, the Committee particularly considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control. The Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. The Committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors.

Meetings during year ended 30 September 2005

	Full Board	Audit Committee	Nominations Committee	Remuneration Committee	
Total number of meetings in 12 months					
to 30/9/05	14	3	3	11	
T.C. Bonner	14	3	3	11	
G.T.E. Priestley	13	3	3	11	
B. Duckworth	13	2	3	11	
S.J. Pirie	8	2	2	8	Appointed 1 March 2005
N.A.P. Carson	1	1	—	1	Resigned 20 Jan 2005
T.K.P. Stead	14	*3	*1	*5	
S.J. Willcox	11	*2	*2	*6	Retired 30 Sept 2005
P.C. Slabbert	3	*1	—	—	Appointed 1 July 2005
L.J. Richards	11	—	—	—	Resigned as Director 20 July 2005
S.J. Stone	13	—	—	—	Retired 31 Aug 2005

* Attendance by invitation.

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

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. Dialogue takes place regularly with institutional shareholders and general presentations are given following the preliminary and interim results. Shareholders have the opportunity to ask questions at the annual general meeting and also have the opportunity to leave written questions for the responses of the Directors. Directors meet informally with shareholders after the annual general meeting and respond throughout the year to correspondence from individual shareholders on a wide range of issues. Annual general meetings provide a venue for the shareholders to meet new Non-Executive Directors in addition to any other meetings shareholders may request.

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

At the annual general meeting on 19 January 2006, the Board will be following the recommendations in the Revised Code regarding the constructive use of annual general meetings; in particular, the agenda will again include a presentation by the Chief Executive on aspects of the Group's business.

3 ACCOUNTABILITY AND AUDIT

The Combined Code requires that Directors review the effectiveness of the Group's system of internal controls. The scope of this review covers all controls including financial, operational and compliance controls as well as risk management. As indicated earlier, the Board has put in place the procedures necessary to implement the guidance contained within the Turnbull Report and the Audit Committee has responsibility to review, monitor and make policy and recommendations to the Board upon all such matters.

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

- Systems exist throughout the Group which provide for the creation of three year plans and annual budgets; monthly reports enable the Board to compare performance against budget and to take action where appropriate.
- An internal audit function is in place with staff covering the Group's worldwide operations from a base in the U.K. The function adopts a risk based approach to the review of internal

controls throughout the Group. Key areas of risk are covered on a pre-determined cycle agreed with the Audit Committee. Recommendations and action plans are provided, together with key findings, to senior management. Summary reports are presented to and discussed with the Audit Committee.

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

- A Risk Management Steering Group is in place which includes in its membership 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 analysed and actions introduced to eliminate, minimise, control or transfer the risk (or the effect thereof) as appropriate.

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

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

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

- The Board has issued a Policy and Code on Business Conduct which reinforces the importance of the internal control framework within the Group. The Policy and Code includes a whistle-blowing procedure whereby individuals may raise concerns in matters of financial reporting or other matters with the Audit Committee which will ensure independent investigation and follow up action. The Policy and Code is reviewed annually.

- Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year with management and external auditors to review specific accounting, reporting and financial control matters, and at least twice a year with the internal auditor. This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

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.

Remuneration Report

for the year ended 30 September 2005

Part 1 of this Report sets out the Company's remuneration policies for the Directors for the year ended 30 September 2005. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed in future reports. Part 2 sets out audited details of the remuneration received by Directors during the year ended 30 September 2005.

PART 1. REMUNERATION POLICIES (NOT SUBJECT TO AUDIT)

EXECUTIVE DIRECTORS

Remuneration Committee

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

The Committee met eleven times during the year and currently comprises Mr. G.T.E. Priestley (Chairman), Mr. T.C. Bonner, Mr. B. Duckworth who each served throughout the year and from 1 March 2005, Mrs. S.J. Pirie. Mr. Priestley intends to retire from the Board at the conclusion of the Annual General Meeting in 2006 and will be replaced as Chairman of the Committee by Mr. B. Duckworth. The Chief Executive, Mr. T.K.P. Stead 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' arrangements. Towers Perrin also provide administration services to the Company's employee share trust. Hewitt Bacon & Woodrow, the Company's pension scheme actuaries, provide the Committee with information on executive pension arrangements when required. Linklaters and 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

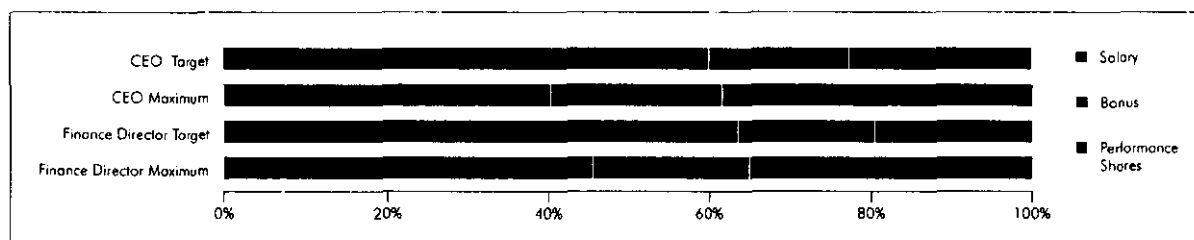
The Remuneration Committee's aim is to ensure that the structure of the Executive Directors' remuneration supports the achievement of the Company's performance objectives and, in turn, increased shareholder value.

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, whether in the shorter or the longer term; and
- the overall level of salary, incentives, pension and other benefits should be competitive when compared with other manufacturing companies of a similar size and global spread.

Remuneration Elements

The Executive Directors' remuneration comprises four elements: annual salary; short-term bonus; longer-term performance shares and benefits (including pension). In line with the Company's emphasis on performance-related pay, bonus payments are dependent on the Company's annual financial performance, while the receipt of performance shares is dependent on enhanced relative returns to shareholders over a three-year period. The arrangements are similar for other senior executive team members. The following table illustrates the proportion of variable pay to base salary for the Chief Executive and the Finance Director for 2005/6 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 2005 for Mr. T.K.P. Stead is £200,000 and for Mr. P.C. Slabbert is £120,000.

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 are normally based on two measures, profit before tax and cash flow. The maximum bonus potential for 2005/6 is 60% of salary for the Chief Executive and 50% of salary for the Finance Director. Bonus payments are not pensionable.

Performance Share Plan

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

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

This 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 Finance Director receiving 80% of salary.

As reported last year, the Remuneration Committee approved the vesting of the 2001/2 conditional award at a level of 90% effective on 8 December 2004.

The Company's TSR performance in respect of the 2002/3 conditional award did not exceed the median performance of the comparator group, as calculated by New Bridge Street Consultants. The Committee determined, therefore, that the award should not vest.

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. The 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.

Before the introduction of the Performance Share Plan, the Company operated other long-term incentive schemes. No awards held by Executive Directors under these schemes are outstanding as at 30 September 2005.

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 2.4% and 7.15% respectively based on the issued share capital at 30 September 2005. It has been the Company's practice to buy shares in the market through an Employee Share Ownership Trust in order to meet its liability for shares awarded under the Performance Share Plan. At 30 September 2005 there were 666,190 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.

Pension and other benefits

The current Executive Directors who are both based in the UK (Mr. T.K.P. Stead and Mr. P.C. Slabbert) are members of the Senior Executive Section of the Avon Rubber Retirement and Death Benefits Plan. This provides members with a defined level of benefit on retirement depending on length of service and earnings. Subject to Inland Revenue limits, members can receive a pension of up to two-thirds of pensionable salary on retirement at 60, 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. Directors' basic salaries are the only pensionable element of their remuneration packages. In respect of pay received above Inland Revenue limits, Mr. T.K.P. Stead receives an annual payment of 58% of salary above the earnings cap. The Executive Directors, like all members, are 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 will be offered defined contribution arrangements.

As a result of the new UK legislation affecting the taxation of pensions, the Company is reviewing the pension arrangements it provides to UK-based Executive Directors and will disclose any change in policy in the relevant future report.

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, which is open to all UK employees with three months continuous service and to which no performance conditions are attached.

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.

Remuneration Report continued

for the year ended 30 September 2005

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). The Company may terminate the contract early without cause by making a payment in lieu of notice by monthly instalments of salary and benefits to a maximum of 12 months, with reductions for any amounts received from providing services to others during this period.

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

The Executive Directors' contracts contain early termination provisions consistent with the policy outlined above. Mr. L.J. Richards who stepped down from the Board on 20 July 2005 but who retains his executive responsibilities has a US contract which provides that, on involuntary termination, he is entitled to continuation of salary and benefits for 12 months, with reductions to take account of salary and benefits earned from new employment. Mr. D. Bartels resigned as a Director on 30 June 2004. His employment with the Company ceased on 30 November 2004. As reported in last years' report the Company continued to pay Mr Bartels' monthly salary and pension during this period along with a lump sum equivalent to approximately nine months' salary and pension contribution on 30 November 2004. Mr Bartels agreed that all his conditional awards under the Performance Share Plan should lapse.

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

	Contract date	Years to normal retirement	Company notice period	Executive notice period
S.J. Willcox*	26 September 2003	2	12 months	12 months
L.J. Richards*	2 November 2001 as amended	20	12 months	12 months
T.K.P. Stead	4 July 2005	5	12 months	12 months
S.J. Stone*	26 September 2003	6	12 months	12 months
P.C. Slabbert*	4 July 2005	17	12 months	12 months

* S.J. Willcox relinquished the role of Chief Executive on 30 June 2005 and retired on 30 September 2005; L.J. Richards stepped down from the Board on 20 July 2005; S.J. Stone retired as a Director on 31 August 2005; P.C. Slabbert was appointed as a Director on 1 July 2005.

As part of its ongoing succession planning, the Committee agreed with the then Chief Executive, Mr. S.J. Willcox, to his early retirement at 30 September 2005. Mr. T.K.P. Stead was appointed to the role of Chief Executive and Mr. P.C. Slabbert was appointed Finance Director, both effective 1 July 2005.

Mr. S.J. Willcox received no termination payment, although in recognition of the mutual decision to bring his planned retirement forward, the Committee agree to provide him with the benefit of an extra 2 months' service under the Avon Rubber Retirement and Death Benefits Plan and agreed to his early retirement at age 59 without any actuarial reduction as permitted under the rules of the pension plan on the basis that the Company would provide appropriate funding to the Plan. His subsisting conditional awards under the Performance Share Plan will be adjusted pro-rata for time and will vest at the end of their normal vesting period, subject to the satisfaction of the applicable performance measures.

Following the appointment of the new Chief Executive, a new management structure was implemented. As part of the new structure, Mr L.J. Richards agreed to step down from the Board, effective 20 July 2005, although retaining his executive responsibilities. In addition, it was agreed that Mr. S.J. Stone would take early retirement, effective 31 August 2005. In accordance with his contract, he received a lump sum payment equal to his salary and other benefits for his 12 months' notice period. Again, his subsisting conditional awards under the Performance Share Plan will be adjusted pro-rata for time and will vest at the end of their normal vesting period, subject to the satisfaction of the applicable performance measures.

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.

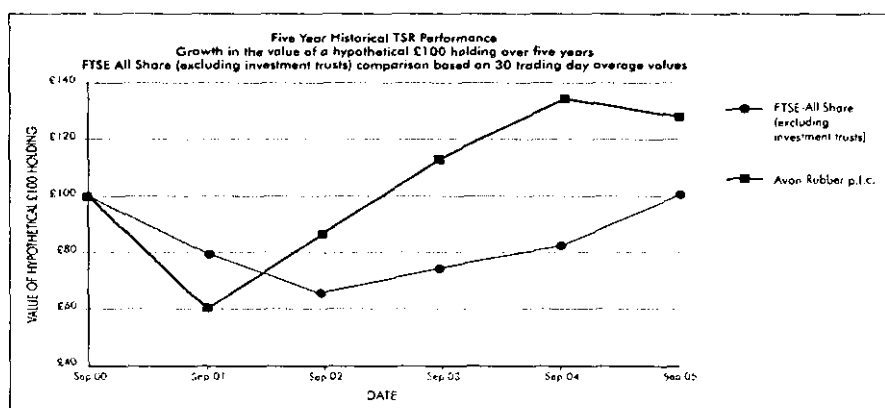
The Chairman and the Non-Executive Directors each have a letter of appointment which specifies an initial period of appointment. The initial period for Messrs. Bonner, Priestley and Duckworth is 5 years. The initial period for Mrs Pirie is 3 years and all further Non-Executive appointments are expected to be on this basis. Their appointment is subject to Board approval and election by shareholders at the annual general meeting following appointment and, thereafter, re-election by rotation every three years. 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
T.C. Bonner CBE (Appointed Chairman 8 Feb 2001)	5 September 1994	23 January 2003
G.T.E. Priestley*	1 February 1998	22 January 2004
B. Duckworth OBE	14 May 2002	23 January 2003
S.J. Pirie OBE	1 March 2005	
N.A.P. Carson*	15 May 2001	22 January 2004

* N.A.P. Carson resigned on 20 January 2005; G.T.E. Priestley will resign as a Director with effect from the end of the annual general meeting on 19 January 2006.

Performance Graph

As required by regulations on directors' remuneration, the following graph illustrates the total return, in terms of share price growth and dividends, on a notional investment of £100 in the Company over the last five years relative to the FTSE All Share Index (excluding investment trusts). This index was chosen by the Remuneration Committee as a competitive indicator of general UK market performance.



Directors' interests

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

	At the end of the year	At the beginning of the year
T.C. Bonner CBE	7,500	7,500
B. Duckworth OBE	6,000	6,000
S.J. Pirie OBE	5,000	—
G.T.E. Priestley	12,000	12,000
P.C. Slabbert	22,082	—
T.K.P. Stead	58,857	8,383
S.J. Willcox*	171,821	46,741

* S.J. Willcox retired as a Director on 30 September 2005.

Additionally, the Company operates a Qualifying Employee Share Ownership Trust ("Quest") which is used to deliver shares to employees exercising their options under the Savings Related Share Option Scheme. By virtue of their participation, or potential participation, in that Scheme, Mr. P.C. Slabbert and Mr. T.K.P. Stead had an interest in the shares held by the Quest at 30 September 2005. At that date 55,712 shares were held in the Quest (2004: 55,836 shares).

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

There were no movements in Directors' shareholdings between the end of the financial year and 19 December 2005.

Remuneration Report continued
for the year ended 30 September 2005

PART 2. DETAILS OF REMUNERATION (AUDITABLE INFORMATION)

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

Directors' emoluments

	Basic Salary & fees £'000	Other benefits * £'000	Annual bonus £'000	Compensation for loss of office ** £'000	Total 2005 £'000	Total 2004 £'000
Directors holding office throughout 2004 and 2005						
T.C. Bonner CBE (Chairman)	58	-	-	-	58	50
B. Duckworth OBE (Non-Executive)	29	-	-	-	29	25
G.T.E. Priestley (Deputy Chairman)	39	-	-	-	39	35
T.K.P. Stead	160	48	-	-	208	200
Total 2005	286	48	-	-	334	-
Total 2004	252	44	14	-	-	310

Appointments & resignations

N.A.P. Carson (Non-Executive) (resigned 20.1.05)	8	-	-	-	8	25
D. Bartels (resigned 30.6.04)	-	-	-	-	-	131
S.J. Pirie OBE (Non-Executive) (appointed 1.3.05)	17	-	-	-	17	-
L.J. Richards (resigned 20.7.05)	103	14	4	-	121	137
P.C. Slabbert (appointed 1.7.05)	30	4	-	-	34	-
S.J. Stone (resigned 31.8.05)	140	16	-	194	350	191
S.J. Willcox (highest paid director) (resigned 30.9.05)	239	23	-	170	432	282
Total 2005	823	105	4	364	1,296	-
Total 2004	896	102	78	-	-	1,076

* Other benefits are described in Part 1 on page 15.

** These payments are explained on page 16.

L.J. Richards is paid for his services to the Group through Avon Rubber & Plastics Inc., a company registered in the United States of America. Payments made to him were in US dollars, converted into UK pounds sterling for the purposes of the table above based on the average pound/dollar exchange rate for the year of 1.8359 and therefore reflect the impact of the exchange rate fluctuations during the year.

No Director waived emoluments in respect of the year ended 30 September 2005 (2004: Nil).

Executive Directors' pensions

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

	S.J. Willcox	S.J. Stone	T.K.P. Stead	P.C. Slabbert
Accrued entitlement as at 30 September 2005	£154,013p.a.	£95,739p.a.	£24,504p.a.	£15,463p.a.
Increase in accrued entitlement over the period	£12,954p.a.	£5,235p.a.	£4,129p.a.	£4,285p.a.
Contributions paid by each Director over the period	£12,848	£9,011	£7,785	£7,352
Transfer value at 30 September 2004	£2,189,823	£1,162,601	£262,415	£73,664
Transfer value at 30 September 2005 or date of retirement if earlier	£2,817,938	£1,400,061	£382,498	£124,803
Increase in the transfer value over the year (net of Director's contributions)	£615,267	£228,449	£112,298	£43,787
Increase in accrued entitlement over the period (excluding inflation of 3.1%)	£8,581p.a.	£2,429p.a.	£3,497p.a.	£3,938p.a.
Transfer value of increase in accrued pension (net of Director's contributions)	£144,160	£26,516	£46,436	£24,436

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 2005 was £370,435 (2004: £332,612 restated).

Payments were made to defined contribution schemes on behalf of non-UK based directors Mr. L.J. Richards of £42,000 (2004: £52,000) and Mr D. Bartels £nil (2004: £15,000).

Performance Share Plan 2002 ("the 2002 Scheme")

For grants of options or conditional awards made during the first 4 years of operation of the 2002 Scheme, the performance condition has been based on the Company's TSR relative to the TSR of a comparator group, comprising the FTSE 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 2005 and following approval of the 2002 Scheme by shareholders, is set out below:-

	Granted 2001/2 (for the qualifying period ending 30 Sept 2004)	Vested in year 2001/2 * awards	Lapsed in year 2001/2 awards	Granted 2002/3 (for the qualifying period ending ** 30 Sept 2005)	Granted 2003/4 (for the qualifying period ending 30 Sept 2006)	Granted 2004/5 (for the qualifying period ending 30 Sept 2007)	Total option awards outstanding at 30 Sep 2005	Vesting value of 2001/2 awards* £'000
L.J. Richards	101,185	(91,067)	(10,118)	62,018	46,365	59,573	167,956	174,393
P.C. Slabbert	51,256	(46,130)	(5,126)	33,553	24,828	29,295	87,676	88,339
T.K.P. Stead	98,894	(89,005)	(9,889)	67,368	50,759	59,948	178,075	170,445
S.J. Stone	114,572	(103,115)	(11,457)	75,000	53,995	62,914	191,909	197,465
S.J. Willcox	219,597	(197,637)	(21,960)	143,750	104,828	122,193	370,771	378,475
Other senior employees	173,968	(156,571)	(17,397)	113,882	104,414	126,694	344,990	299,833

S.J. Willcox retired on 30 September 2005 and S.J. Stone retired on 31 August 2005 - all their awards will be time pro-rated and will vest at the end of the relevant qualifying periods, subject to the satisfaction of the applicable performance measures.

* As disclosed in last year's report 90% of the awards granted under the 2001/2 cycle vested on 8 December 2004. The vesting value is calculated using the closing middle market price of the Company's shares at 8 December 2004 of 191.5 pence.

** The 2002/3 awards did not vest as the Company's TSR performance did not exceed the median performance of the comparator group.

The market price at the award date for the 2004/5 award was 192.0 pence, for the 2003/4 award was 217.5 pence, for the 2002/3 award was 154.5 pence and the 2001/2 award 99.5 pence.

Executive share option scheme

	Number of options at 30 Sep 04	Granted during the year	Lapsed during the year	Number of options at 30 Sep 05
S.J. Willcox	60,000	-	(60,000)	-
S.J. Stone	24,000	-	(24,000)	-

Sharesave option schemes

	Number of options at 30 Sep 04	Granted during the year	Exercised during the year	Lapsed during the year	Number of options at 30 Sep 05	Exercise price (£)	Exercisable during 6 months commencing
S.J. Willcox	8,474	-	(8,474)	-	-	-	-
	751	-	-	-	751	1.33	Oct 2005
S.J. Stone	5,092	-	(5,092)	-	-	-	-
	2,781	-	-	(2,781)	-	-	-
P.C. Slabbert	8,474	-	(8,474)	-	-	-	-
	751	-	-	-	751	1.33	July 2006
T.K.P. Stead	8,474	-	(8,474)	-	-	-	-
	751	-	-	-	751	1.33	July 2006
	-	4,913	-	-	4,913	1.72	July 2008

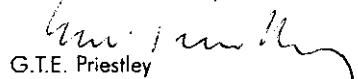
As at 30 September 2005, other employees held options over 927,867 ordinary shares, exercisable between 2005 and 2012, at option prices ranging from £1.00 to £5.01.

All options are over ordinary shares of £1 each.

The market price when S.J. Willcox, T.K.P. Stead, S.J. Stone and P.C. Slabbert exercised their options was £1.95.

As at 30 September 2005, the market price of Avon Rubber p.l.c. shares was £2.14 (2004: £2.34). During the year the highest and lowest market prices were £2.38 and £1.83 respectively.

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


G.T.E. Priestley
Chairman of the Remuneration Committee
19 December 2005.

Statement of Directors' Responsibilities
for the year ended 30 September 2005

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

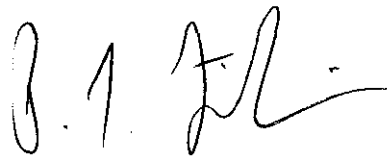
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

P.J. Fairbairn, Secretary
Melksham, Wiltshire
19 December 2005.



Independent Auditors' Report

for the year ended 30 September 2005

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable parts of the directors' remuneration report in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or 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 financial statements give a true and fair view and whether the financial statements and the auditable parts of the directors' remuneration report have been properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operational and financial review and the corporate governance statement.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2005 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
19 December 2005

Consolidated Profit and Loss Account

for the year ended 30 September 2005

	Note	2005 Before exceptional items £'000	2005 Exceptional items (note 5) £'000	2005 Total £'000	2004 Total £'000
Turnover	2	239,735	–	239,735	239,212
Cost of sales		(202,553)	–	(202,553)	(200,110)
Gross profit		37,182	–	37,182	39,102
Net operating expenses (including £802,000 (2004: £681,000) goodwill amortisation)	3	(30,460)	(8,158)	(38,618)	(29,124)
Group operating (loss)/profit		6,722	(8,158)	(1,436)	9,978
Share of profits of joint venture	4	111	–	111	138
Total operating (loss)/profit: Group and share of joint venture	2	6,833	(8,158)	(1,325)	10,116
Interest receivable	6	193	–	193	138
Interest payable	6	(2,703)	–	(2,703)	(2,345)
Other finance income	11	1,010	–	1,010	776
(Loss)/profit on ordinary activities before taxation	7	5,333	(8,158)	(2,825)	8,685
Taxation	8	(1,715)	841	(874)	(1,658)
(Loss)/profit on ordinary activities after taxation		3,618	(7,317)	(3,699)	7,027
Minority interests		(115)	–	(115)	(389)
(Loss)/profit for the financial year		3,503	(7,317)	(3,814)	6,638
Dividends	9	(2,341)	–	(2,341)	(2,245)
Retained (loss)/profit for the financial year	28	1,162	(7,317)	(6,155)	4,393
(Loss)/earnings per ordinary share	10				
Basic				(14.1)p	25.1p
Before exceptional items		13.0p			
Before goodwill amortisation and exceptional items		16.0p			27.6p
Diluted				(14.1)p	23.5p

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

**Consolidated Statement of
Total Recognised Gains and Losses**
for the year ended 30 September 2005

	2005 £'000	2004 £'000
(Loss)/profit for the year	(3,814)	6,638
Actuarial gain/(loss) recognised in retirement benefit schemes	3,974	(1,083)
Movement on deferred tax relating to retirement benefit liabilities	(6,275)	330
Net exchange differences on overseas investments	606	(672)
Total (losses)/gains for the year	(5,509)	5,213

**Note of Group Historical
Cost Profits and Losses**

for the year ended 30 September 2005

	2005 £'000	2004 £'000
Reported (loss)/profit on ordinary activities before taxation	(2,825)	8,685
Realisation of property revaluation gains of previous years	462	-
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	6	17
Historical cost (loss)/profit on ordinary activities before taxation	(2,357)	8,702
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	(5,687)	4,410

**Reconciliation of Movements
in Group Shareholders' Funds**

for the year ended 30 September 2005

	2005 £'000	2004 £'000
Opening shareholders' funds as previously stated	63,751	80,728
Prior year adjustment	-	(20,318)
Opening shareholders' funds restated	63,751	60,410
(Loss)/profit for the year	(3,814)	6,638
Dividends	(2,341)	(2,245)
Actuarial gain/(loss) recognised in retirement benefit schemes	3,974	(1,083)
Movement on deferred tax relating to retirement benefit liabilities	(6,275)	330
Movement in respect of employee share scheme	(620)	(19)
Goodwill resurrected on disposal of subsidiary	-	392
New share capital subscribed	297	-
Net exchange difference on overseas investments	606	(672)
Closing shareholders' funds	55,578	63,751

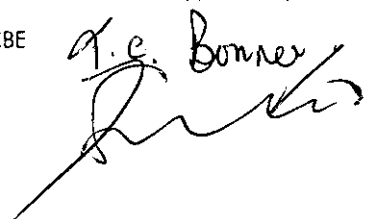
Consolidated Balance Sheet
at 30 September 2005

Avon Rubber p.l.c.
32965

		2005	2004 (restated see notes 24 and 28)
	Note	£'000	£'000
Fixed assets			
Intangible assets	13	25,715	14,595
Tangible assets	14	83,715	85,330
Investments	16	146	68
		109,576	99,993
Current assets			
Stocks	19	24,004	20,983
Debtors – amounts falling due within one year	20	52,039	44,137
Debtors – amounts falling due after more than one year	20	604	617
Investments	23	5,017	4,118
Cash at bank and in hand		3,902	5,767
		85,566	75,622
Creditors - amounts falling due within one year	21	85,622	71,934
Net current (liabilities)/assets		(56)	3,688
Total assets less current liabilities		109,520	103,681
Creditors - amounts falling due after more than one year	22	25,909	15,332
Provisions for liabilities and charges	24	6,612	4,294
		32,521	19,626
Net assets excluding pension liability		76,999	84,055
Pension liability	11	20,656	19,654
Net assets including pension liability		56,343	64,401
Capital and reserves			
Share capital	27	28,121	27,824
Share premium account	28	34,070	34,070
Revaluation reserve	28	1,751	2,213
Capital redemption reserve	28	500	500
Profit and loss account	28	(8,864)	(856)
Equity shareholders' funds		55,578	63,751
Minority interests (equity interests)		765	650
Capital employed		56,343	64,401

These financial statements were approved by the board of directors on 19 December 2005 and were signed on its behalf by:

T.C. Bonner CBE
T.K.P. Stead



Parent Company Balance Sheet
at 30 September 2005

Avon Rubber p.l.c.
32965

		2005	2004 (restated see note 29)
	Note	£'000	£'000
Fixed assets			
Tangible assets	15	24,973	25,985
Investments	17	72,885	72,885
		97,858	98,870
Current assets			
Debtors - amounts falling due within one year	20	58,501	5,295
Debtors - amounts falling due after more than one year	20	—	27,618
Cash at bank and in hand		17,323	8,969
		75,824	41,882
Creditors - amounts falling due within one year	21	41,868	29,562
Net current assets		33,956	12,320
Total assets less current liabilities		131,814	111,190
Creditors - amounts falling due after more than one year	22	19,907	7,840
Provisions for liabilities and charges	25	893	1,356
		20,800	9,196
Net assets		111,014	101,994
Capital and reserves			
Share capital	27	28,121	27,824
Share premium account	29	34,070	34,070
Merger reserve	29	16,439	16,439
Revaluation reserve	29	—	462
Capital redemption reserve	29	500	500
Profit and loss account	29	31,884	22,699
Equity shareholders' funds		111,014	101,994

These financial statements were approved by the board of directors on 19 December 2005 and were signed on its behalf by:

T.C. Bonner CBE
T.K.P. Stead

T.C. Bonner
T.K.P. Stead

Consolidated Cash Flow Statement

for the year ended 30 September 2005

	Note	£'000	2005 £'000	2004 £'000
Net cash inflow from operating activities	30		7,958	21,728
Returns on investments and servicing of finance				
Interest received		234	70	
Interest paid		(2,568)	(2,437)	
			(2,334)	(2,367)
Taxation				
Corporation tax paid			(2,062)	(1,994)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(8,060)	(7,086)	
Receipts from sales or disposals of property, plant or equipment		988	116	
Capitalised development expenditure		(4,131)	(2,384)	
			(11,203)	(9,354)
Acquisitions and disposals				
Purchase of subsidiary undertaking	31		(11,652)	-
Cash acquired	31		257	-
Sale of operations			-	1,884
Purchase of shares in subsidiary undertakings			-	(1,189)
Equity dividends paid			(2,293)	(2,172)
Net cash (outflow)/inflow before management of liquid resources and financing			(21,329)	6,536
Management of liquid resources				
Increase in investments treated as liquid resources			(874)	(270)
Financing				
Issue of ordinary shares		297	-	
Net movements in loans and finance leases		20,058	(7,690)	
Purchase of own shares		-	(449)	
			20,355	(8,139)
Decrease in net cash			(1,848)	(1,873)
Reconciliation of net cash flow to movement in net debt				
Decrease in net cash			(1,848)	(1,873)
Net movements in loans and finance leases			(20,058)	7,690
Movement in liquid resources			874	270
Amortisation of loan issue costs			(14)	(92)
Exchange differences			(986)	2,340
Movement in net debt in the period			(22,032)	8,335
Net debt at the beginning of the period			(29,687)	(38,022)
Net debt at the end of the period	32		(51,719)	(29,687)

Accounting Policies

for the year ended 30 September 2005

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important Group policies, which have been applied on a consistent basis except for the reclassification of warranty provisions (see note 24) and the treatment of amounts previously disclosed as other reserves (see notes 28 and 29), is set out below.

CONSOLIDATION

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

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

The results of businesses acquired are included from the effective date of acquisition and businesses sold are included up to the date of disposal.

CURRENT ASSET INVESTMENTS

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

DEFERRED TAXATION

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

EXCHANGE RATES

Profit and loss accounts of foreign Group undertakings are translated at average rates of exchange. Balance sheets are translated at year-end rates. Exchange gains and losses arising from these translations and on foreign currency borrowings relating to overseas investments are taken to reserves and reported in the consolidated statement of total recognised gains and losses. Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future. Exchange differences arising on transactions are taken to the profit and loss account.

FIXED ASSET INVESTMENTS

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

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

IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed assets or goodwill may not be recoverable. If the carrying amount exceeds its recoverable amount (being the higher of the value in use and the net realisable value) then the fixed asset or goodwill is written down accordingly. Where recoverable amount is based on value in use, discount rates of typically between 10% and 15% are used depending on the risk attached to the underlying asset.

INTEREST PAYABLE

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

LEASED ASSETS

Assets which are the subject of finance lease agreements and which transfer to the Group substantially all the benefits and risks of ownership of the assets, are dealt with as tangible assets and equivalent liabilities at the cost of outright purchase. Rentals are apportioned between reduction of the liabilities and finance charges, calculated on a reducing balance basis over the primary lease period. Operating lease rentals are charged against profit over the term of the lease on a straight line basis.

LONG TERM INCENTIVE PLAN

Details on the Group's Performance Share Plan are set out in the Remuneration Report. Briefly, the scheme participants are eligible for conditional share awards (which may be in the form of nil-cost options) in the Company subject to the Company's Total Shareholder Return ("TSR") over a three year period relative to the TSR of a comparator group. The Group acquires its own shares in the open market in order to meet its obligations under this plan. Shares held by the Employee Share Ownership Trust are shown as a deduction from shareholders' funds. The cost of employee share schemes is charged to the profit and loss account using the quoted market price of shares at the date of grant. The charge is accrued over the vesting period of the shares to the extent that they are projected to vest. There is an exemption from making such a charge for Inland Revenue approved SAYE schemes.

PENSIONS AND OTHER POST RETIREMENT BENEFITS

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. Scheme assets are measured using market values while liabilities are measured using the projected unit method. The net scheme surplus or deficit is reflected in the balance sheet (net of deferred tax). A charge to operating profit is made to reflect the current and any past service cost; the expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. The balance sheet includes post retirement obligations in respect of overseas' subsidiaries where different arrangements are adopted to provide post retirement benefits. These obligations are included in the surplus or deficit reflected in the balance sheet. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

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

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 managements 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 Group will carry out the reorganisation.

RESEARCH AND DEVELOPMENT

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

STOCKS

Stocks and work in progress are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on a normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost with the exception of previously revalued tangible fixed assets, which are now held at their book value at the date of implementation of FRS 15 (Tangible Fixed Assets), as permitted under the transitional rules of that standard, less amounts provided for depreciation and any provision for impairment. No depreciation is provided on freehold land where its value can be separately ascertained. In all other cases freehold properties are depreciated on a straight line method at 2% per annum. Leasehold properties are amortised by equal annual instalments over 50 years or the life of the lease, if shorter. Plant and machinery are depreciated on the straight line method at rates varying between 6% and 50% per annum.

TURNOVER

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the value of goods and services supplied and is recognised when the risks and rewards of ownership pass to the customer and when collectability of the related receivables is reasonably assured.

Notes to the Financial Statements

for the year ended 30 September 2005

1 PARENT COMPANY

As permitted by S230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's retained profit for the financial year was £9,343,000 (2004: £3,612,000 loss). As permitted by FRS17, the multi-employer exemption has been taken and no provision has been reflected in the parent company's balance sheet for any deficit arising in respect of pension obligations. Details of the company's pension scheme are shown in note 11.

2 SEGMENTAL INFORMATION

	2005 £'000	2004 £'000
(a) Turnover by destination		
Europe	130,448	127,562
North America	104,548	105,471
Rest of World	4,739	6,179
	239,735	239,212

	Turnover £'000	Total operating (loss)/profit £'000	2005 Operating net assets £'000	Turnover £'000	Total operating profit £'000	2004 Operating net assets £'000
(b) By origin:						
Before exceptional operating items						
Europe	135,085	(365)	67,302	135,067	1,903	65,489
North America	104,650	7,198	42,735	104,145	8,213	30,479
	239,735	6,833	110,037	239,212	10,116	95,968
Exceptional operating items						
Europe	-	(7,393)	-	-	-	-
North America	-	(765)	-	-	-	-
	-	(8,158)	-	-	-	-
After exceptional operating items						
Europe	135,085	(7,758)	67,302	135,067	1,903	65,489
North America	104,650	6,433	42,735	104,145	8,213	30,479
	239,735	(1,325)	110,037	239,212	10,116	95,968

Inter segmental sales are not material.

(c) By business sector:						
Before exceptional operating items						
Automotive components	185,028	6,157	63,986	175,308	2,996	66,289
Protection & engineered products	54,707	676	46,051	63,904	7,120	29,679
	239,735	6,833	110,037	239,212	10,116	95,968
Exceptional operating items						
Automotive components	-	(7,203)	-	-	-	-
Protection & engineered products	-	(955)	-	-	-	-
	-	(8,158)	-	-	-	-
After exceptional operating items						
Automotive components	185,028	(1,046)	63,986	175,308	2,996	66,289
Protection & engineered products	54,707	(279)	46,051	63,904	7,120	29,679
	239,735	(1,325)	110,037	239,212	10,116	95,968

Inter segmental sales are not material. The directors consider that the acquisition of International Safety Instruments Inc (ISI) has not had a material impact on the above disclosures.

Central costs have been allocated between business sectors on an appropriate basis.

Notes to the Financial Statements continued
for the year ended 30 September 2005

2 SEGMENTAL INFORMATION (continued)

	2005 £'000	2004 £'000		
(d) Reconciliation of operating net asset analysis				
Consolidated balance sheet	56,343	64,401		
Gross borrowings	60,638	39,572		
Interest bearing bank deposits and investments	(6,944)	(8,005)		
Operating net assets	110,037	95,968		
	Year-end	2005 Average	Year-end	2004 Average
(e) Directors and employees				
The number of employees (including Executive Directors) during the year was:				
Automotive components	3,533	3,504	3,558	3,576
Protection & engineered products	830	766	723	758
Total	4,363	4,270	4,281	4,334

3 COST OF SALES AND OTHER OPERATING INCOME AND EXPENSES

	Before exceptional items £'000	Exceptional items £'000	2005 Total £'000	2004 £'000
Turnover	239,735	–	239,735	239,212
Cost of sales	(202,553)	–	(202,553)	(200,110)
Gross profit	37,182	–	37,182	39,102
Distribution costs	(9,580)	–	(9,580)	(8,323)
Administrative expenses (including goodwill amortisation of £802,000 (2004: £681,000))	(23,441)	(8,158)	(31,599)	(23,753)
Other operating income	2,561	–	2,561	2,952
Net operating expenses	(30,460)	(8,158)	(38,618)	(29,124)
Share of operating profits of joint venture	111	–	111	138
Total operating (loss)/profit	6,833	(8,158)	(1,325)	10,116

4 JOINT VENTURE

	2005 £'000	2004 £'000
Share of operating profits in joint venture	111	138

The Group's share of the turnover of the joint venture was £405,000 (2004: £532,000).

	Share capital	Held by the Group	Accounting date	Basis of consolidation
Joint Venture				
Gold Seal-Avon Polymers PVT India	5,698,780 shares of 10 rupees each	50%	31 March	Audited accounts to 31 March 2005 Unaudited accounts to 30 September 2005

5 EXCEPTIONAL ITEMS

The exceptional charge during the year ended 30 September 2005 consists of:

		2005 £'000
Automotive components		
Europe	Reorganisation costs	5,347
	Provision against MG Rover balances	1,091
North America	Reorganisation costs	65
	Provision against Delphi balance	700
Protection & engineered products		
Europe	Reorganisation costs	955
		8,158

The reorganisation costs relate to the restructuring of the Group's European Automotive operations including the factory closure of Calaf, Spain and the reorganisation of the Group's central and divisional structures. Cost attributable to the Group centre are allocated to the business sectors and geographic segments on an appropriate basis. The cash effect of the reorganisation costs was £3,100,000. The taxation credit relating to the exceptional items was £841,000.

6 INTEREST AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Bank loans and overdrafts	(1,851)	(1,184)
US dollar private placement	(760)	(989)
Amortisation of loan issue costs	(21)	(92)
Other loans	(38)	(38)
	(2,670)	(2,303)
Share of interest cost in joint venture	(33)	(42)
	(2,703)	(2,345)
Total interest payable	193	138
Interest receivable		
	(2,510)	(2,207)

7 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	106	205
Gain on foreign exchange	47	-
Profit on disposal of tangible fixed assets	119	-
and after charging:		
Depreciation on tangible fixed assets:		
owned assets	8,396	8,763
leased assets	117	171
Loss on disposal of tangible fixed assets	-	164
Amortisation of goodwill	802	681
Amortisation of deferred development costs	1,259	1,200
Services provided to the group (including its overseas subsidiaries) by the group's auditors		
Audit services		
- Statutory	414	414
Further assurance services	187	-
Tax services		
- Compliance services - UK	46	96
- Compliance services - Overseas	179	69
- Advisory services - UK	78	55
- Advisory services - Overseas	24	42
Other services not covered above	106	-
Included in the group audit fees paid to the group's auditors, £120,000 (2004: £98,000) was paid in respect of the parent company.		
Further assurance services include £100,000 of due diligence fees in respect of the acquisition of ISI and £87,000 in relation to review of financial information.		
Loss on foreign exchange	-	216
Research and development	4,923	4,566
Operating leases:		
plant and machinery	626	957
other assets	1,347	1,410

8 TAXATION

(a) Analysis of charge in the year

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax on profits of the year at 30% (2004: 30%)	–	(128)
Overseas taxes	1,237	2,713
Over provision in previous years	(62)	(434)
	1,175	2,151
Deferred tax:		
Origination and reversal of timing differences	(301)	(493)
Total tax charge	874	1,658

(b) Factors affecting current tax charge for the year

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before taxation	(2,825)	8,685
(Loss)/profit on ordinary activities before taxation at the standard rate of UK corporation tax of 30% (2004: 30%)	(848)	2,605
Permanent differences	(408)	(144)
Depreciation charge in excess of capital allowances and other timing differences - current year movement on amounts provided	145	(790)
Depreciation charge in excess of capital allowances and other timing differences - current year movement on amounts unprovided	2,476	1,110
Differences between UK and overseas tax rates on overseas earnings	(128)	(196)
Adjustments to current tax charge in respect of previous periods	(62)	(434)
Current tax charge for the year	1,175	2,151

(c) Deferred taxation

Provision/(asset) for deferred tax comprises:

	Provided £'000	2005 Unprovided £'000	Provided £'000	2004 Unprovided £'000
Accelerated capital allowances	5,095	(385)	6,008	(243)
Short term timing differences	(2,228)	(202)	(1,281)	(39)
Losses	(2,658)	(3,459)	(4,022)	(288)
Deferred tax provision	209	(4,046)	705	(570)
Deferred tax asset on pension liability	(2,420)	(4,878)	(8,489)	–
	(2,211)	(8,924)	(7,784)	(570)

	2005 Provided £'000
At 30 September 2004	(7,784)
Exchange differences taken to reserves	(69)
Credit to profit and loss account	(301)
Movement recognised through statement of total recognised gains and losses	6,275
Balance acquired on acquisition	(332)
Provision at end of year including deferred tax on pension liability	(2,211)

(d) Future tax charges

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

9 DIVIDENDS

	2005 £'000	2004 £'000
Dividends on equity shares:		
Ordinary - Interim paid of 3.7p per share (2004: 3.7p per share)	1,026	977
Ordinary - Final proposed of 4.8p per share (2004: 4.8p per share)	1,315	1,268
	2,341	2,245

Dividends payable in respect of 666,190 (2004: 1,350,000) shares held by an Employee Share Ownership Trust (see note 27) and 55,712 (2004: 55,836) shares held by the QUEST (see note 27) have been waived.

10 (LOSS)/EARNINGS PER SHARE

Basic loss per share amounts to 14.1p (2004: earnings 25.1p) and is based on loss after taxation, and deduction of minority interests, of £3,814,000 (2004: £6,638,000 profit) and 26,963,971 ordinary shares (2004: 26,472,000) being the weighted average of the shares in issue during the year.

Earnings per share before exceptional items amounts to 13.0p (2004: 25.1p) and is based on profit for the year (adjusted to add back exceptional items) of £3,503,000 (2004: £6,638,000).

Earnings per share before goodwill amortisation and exceptional items amounts to 16.0p (2004: 27.6p) and is based on profit for the year (adjusted to add back goodwill amortisation and exceptional items) of £4,305,000 (2004: £7,319,000).

The Company has dilutive potential ordinary shares in respect of the Sharesave Option Scheme (see page 19) and the Performance Share Plan (see page 19). The diluted loss per share is not materially different to the basic loss per share.

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

	2005 pence	2004 pence
Basic (loss)/earnings per share	(14.1)	25.1
Adjustment for exceptional items	27.1	-
Earnings per share before exceptional items	13.0	25.1
Adjustment for goodwill amortisation	3.0	2.5
Earnings per share before goodwill amortisation and exceptional items	16.0	27.6

11 PENSIONS AND OTHER RETIREMENT BENEFITS

The provision for pension liabilities can be analysed as follows:

	U.K. £'000	Other European £'000	USA £'000	2005 Total £'000	2004 Total £'000
Pension deficit	15,169	992	6,915	23,076	28,143
Deferred tax asset	-	-	(2,420)	(2,420)	(8,489)
Net pension liability	15,169	992	4,495	20,656	19,654

Full disclosures are provided in respect of UK defined benefit pensions and US post-retirement benefits below, other European retirement benefits are not considered significant for full disclosure and are summarised 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 actuarial valuation of the plan was carried out as at 1 April 2003 when the market value of the plan's assets was £174.0 million. The actuarial value of those assets represented 86% of the value of the benefits which had accrued to members, after allowing for future increases in salaries.

Notes to the Financial Statements continued
for the year ended 30 September 2005

11 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

Employer contributions to the plan were 10.3% of salaries throughout the year.

An updated actuarial valuation for FRS 17 purposes was carried out by an independent actuary at 30 September 2005 using the projected unit method.

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

Valuation Method	2005 Projected Unit	2004 Projected Unit	2003 Projected Unit	2002 Projected Unit
Discount rate	5.00%	5.75%	5.75%	5.75%
Inflation rate	2.65%	2.90%	2.65%	2.25%
Increases to pensions in payment and deferred	2.65%	2.80%	2.65%	2.25%
Salary increases	3.40%	3.65%	3.40%	3.00%

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

	Long-term rate of return expected at 30 September 2005	Value at 30 September 2005 £'000	Long-term rate of return expected at 30 September 2004	Value at 30 September 2004 £'000	Long-term rate of return expected at 30 September 2003	Value at 30 September 2003 £'000
Equities	7.4%	169,648	8.0%	145,408	8.0%	137,222
Bonds	4.4%	60,182	4.7%	52,530	4.7%	49,291
Other	4.6%	5,856	3.5%	5,910	3.5%	6,170
Total market value of assets	6.6%	235,686	7.0%	203,848	6.9%	192,683
Present value of scheme liabilities		(250,855)		(225,246)		(214,622)
Deficit in scheme		(15,169)		(21,398)		(21,939)
Related deferred tax asset		—		6,419		6,582
Net pension liability		(15,169)		(14,979)		(15,357)

**Analysis of amount charged to operating (loss)/profit
in respect of defined benefit schemes**

	2005 £'000	2004 £'000
Current service cost	1,676	1,544
Past service cost	—	58
Curtailments/settlements	(220)	—
Total operating charge	1,456	1,602

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in the scheme at the beginning of the year	(21,398)	(21,939)
Movement:		
Current service cost	(1,676)	(1,544)
Contributions	1,751	2,014
Past service cost	—	(58)
Curtailments/settlements	220	—
Other finance income	1,363	1,129
Actuarial gain/(loss)	4,571	(1,000)
Deficit in the scheme at the end of the year	(15,169)	(21,398)

Analysis of the amount credited to other finance income

	2005 £'000	2004 £'000
Expected return on pension scheme assets	14,078	13,199
Interest on pension scheme liabilities	(12,715)	(12,070)
Net return	1,363	1,129

11 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

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

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Actual return less expected return on pension scheme assets	26,756	6,198	10,313	(31,629)
Experience gains and losses arising on the scheme liabilities	(831)	(2,507)	6,371	1,017
Changes in the assumptions underlying the present value of the scheme liabilities	(21,354)	(4,691)	(6,657)	(9,283)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	4,571	(1,000)	10,027	(39,895)

History of experience gains and losses

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Difference between the actual and expected return on scheme assets:				
Amount	26,756	6,198	10,313	(31,629)
Percentage of scheme assets	11.4%	3.0%	5.4%	17.7%
Experience gains and losses on scheme liabilities:				
Amount	(831)	(2,507)	6,371	1,017
Percentage of scheme liabilities	0.3%	1.1%	3.0%	0.5%
Total amount recognised in statement of total recognised gains and losses:				
Amount	4,571	(1,000)	10,027	(39,895)
Percentage of scheme liabilities	1.8%	0.4%	4.7%	19.0%

In addition, commencing 1 February 2003, a defined contribution scheme has been introduced for new employees within the UK. The cost to the Group in respect of this scheme for the year ended 30 September 2005 was £108,000 (2004: £63,000).

Overseas

For employees overseas, pension arrangements are principally defined contribution plans. The cost to the Group in the year ended 30 September 2005 in respect of overseas employees was £1,014,000 (2004: £1,210,000).

The Group's German subsidiary operates a fully re-insured defined benefit plan. The scheme's assets at 30 September 2005 were £588,000 (2004: £601,000) and the accrued liabilities £588,000 (2004: £601,000).

In addition, a one off payment is made to retiring employees in the Group's French operations. The accrued liability based on earnings and length of service at 30 September 2005 amounts to £992,000 (2004: £839,000). The amount charged to the Group profit and loss account in the year ended 30 September 2005 is £84,000 (2004: £142,000) and the amount recognised in the Consolidated Statement of total recognised gains and losses is £170,000 (2004: £nil).

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 and their dependants are entitled to medical cover from the date of their retirement for a period of three years, or until they reach the age of 65, whichever is the earlier.

The liabilities of this unfunded benefit scheme were valued by an independent actuary at 1 October 2005, based on the following principal assumptions:

	2005	2004	2003	2002
Discount rate	5.25%	5.75%	6.00%	6.75%
Healthcare cost trend rate	9.0% reducing to 5.5% by 2009	10.0% reducing to 5.5% by 2009	11.0% reducing to 5.5% by 2009	12.0% reducing to 5.5% by 2009

Analysis of amount charged to operating profit in respect of post retirement benefits

	2005 £'000	2004 £'000
Current service cost	269	242
Past service cost	34	101
Total operating charge	303	343

11 PENSIONS AND OTHER RETIREMENT BENEFITS (continued)

Movement in provision during the year

	2005 £'000	2004 £'000
Provision at the beginning of the year	(5,906)	(5,875)
Movement:		
Current service cost	(269)	(242)
Contributions	235	251
Past service cost	(34)	(101)
Other finance costs	(353)	(353)
Actuarial loss	(427)	(83)
Exchange difference	(161)	497
Provision at the end of the year	(6,915)	(5,906)
Related deferred tax asset	2,420	2,070
Net post retirement liability	(4,495)	(3,836)

12 DIRECTORS AND EMPLOYEES

Detailed disclosures of directors' remuneration and share options are given on pages 14 to 19.

	2005 £'000	2004 (restated) £'000
Staff costs (including directors) during the year were:		
Wages and salaries	67,335	64,628
Social security costs	10,551	10,130
Other pension costs	2,789	2,875
	80,675	77,633

13 INTANGIBLE FIXED ASSETS – GROUP

	Cost £'000	Amortisation £'000	Net book value £'000
Goodwill			
At 1 October 2004	13,754	(3,610)	10,144
Acquisitions	8,757	–	8,757
Amortisation	–	(802)	(802)
Exchange differences	173	27	200
At 30 September 2005	22,684	(4,385)	18,299
Development expenditure			
At 1 October 2004	7,382	(2,931)	4,451
Incurred during the year	4,214	(1,259)	2,955
Exchange differences	18	(8)	10
At 30 September 2005	11,614	(4,198)	7,416
Total intangible fixed assets			
At 30 September 2005	34,298	(8,583)	25,715
At 30 September 2004	21,136	(6,541)	14,595

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

The cumulative goodwill resulting from acquisitions, which has been written off to reserves at 30 September 2005, is £74,260,000 (2004: £74,260,000).

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

14 TANGIBLE FIXED ASSETS – GROUP

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or valuation:					
At 1 October 2004	45,882	1,211	72	129,427	176,592
Exchange differences	495	6	3	1,226	1,730
Acquisitions	–	–	92	746	838
Additions at cost	408	–	23	7,874	8,305
Disposals	(1,947)	(800)	–	(3,151)	(5,898)
Reclassifications	41	–	–	(431)	(390)
At 30 September 2005	44,879	417	190	135,691	181,177
At cost	36,497	417	190	135,691	172,795
At valuation	8,382	–	–	–	8,382
	44,879	417	190	135,691	181,177
Depreciation:					
At 1 October 2004	5,743	347	68	85,104	91,262
Exchange differences	126	4	1	808	939
Charge for the year	984	34	5	7,490	8,513
On disposals	(246)	(202)	–	(2,414)	(2,862)
Reclassifications	(19)	–	–	(371)	(390)
At 30 September 2005	6,588	183	74	90,617	97,462
Net book value at 30 September 2005	38,291	234	116	45,074	83,715
Net book value at 30 September 2004	40,139	864	4	44,323	85,330
Net book value includes the following leased assets					
At 30 September 2005	–	234	116	539	889
At 30 September 2004	–	864	4	616	1,484

The accumulated cost of freeholds includes £1,873,000 (2004: £1,873,000) in respect of capitalised interest, the net book value of which is £1,662,000 (2004: £1,699,000).

Group properties were valued independently as at 28 September 1996 on the basis of existing use value or open market value as deemed appropriate. These valuations were undertaken in the United Kingdom by Knight Frank and overseas by DTZ Debenham Thorpe, both firms of independent chartered surveyors, and in accordance with the Royal Institute of Chartered Surveyors appraisal and valuation manual.

If land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

	Freeholds £'000	Long leaseholds £'000	Short leaseholds £'000
Cost	46,304	417	190
Depreciation	9,698	183	74
Net book value at 30 September 2005	36,606	234	116
Net book value at 30 September 2004	38,454	356	4

Notes to the Financial Statements continued
for the year ended 30 September 2005

15 TANGIBLE FIXED ASSETS – PARENT

	Freeholds £'000	Long leaseholds £'000	Plant and machinery £'000	Total £'000
Cost or valuation:				
At 1 October 2004	27,023	800	2,230	30,053
Transfers from group companies	–	–	33	33
Additions at cost	–	–	424	424
Disposals	–	(800)	(96)	(896)
At 30 September 2005	27,023	–	2,591	29,614
At cost	27,023	–	2,591	29,614
At valuation	–	–	–	–
	27,023	–	2,591	29,614
Depreciation:				
At 1 October 2004	2,383	193	1,492	4,068
Transfers from group companies	–	–	24	24
Charge for the year	540	9	298	847
On disposals	–	(202)	(96)	(298)
At 30 September 2005	2,923	–	1,718	4,641
Net book value at 30 September 2005	24,100	–	873	24,973
Net book value at 30 September 2004	24,640	607	738	25,985
Net book value includes the following leased assets:				
At 30 September 2005	–	–	–	–
At 30 September 2004	–	607	–	607

The accumulated cost of freeholds includes £1,873,000 (2004: £1,873,000) in respect of capitalised interest, the net book value of which is £1,662,000 (2004: £1,699,000).

Group properties were valued independently as at 28 September 1996 on the basis of existing use value or open market value as deemed appropriate. These valuations were undertaken in the United Kingdom by Knight Frank and overseas by DTZ Debenham Thorpe, both firms of independent chartered surveyors, and in accordance with the Royal Institute of Chartered Surveyors appraisal and valuation manual.

Any properties held in the parent company books at the time of the revaluation have since been disposed of.

16 FIXED ASSET INVESTMENTS – GROUP

	2005 £'000	2004 £'000
Investment in joint venture:		
share of joint assets	664	552
share of joint liabilities	(518)	(484)
	146	68
		Joint Venture £'000
Shares at cost, less amount written off:		
At 30 September 2004 and 30 September 2005		482
Group share of profits less losses:		
At 1 October 2004		(414)
Share of profits for the year		78
At 30 September 2005		(336)
Net book value at 30 September 2005		146
Net book value at 30 September 2004		68

17 FIXED ASSET INVESTMENTS – PARENT

	Investment in subsidiaries £'000
Net book value	
At 30 September 2004 and 30 September 2005	72,885

A list of Group undertakings appears on page 48.

18 OTHER FINANCIAL COMMITMENTS

	Group		Parent	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Capital expenditure committed	1,477	230	6	13

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.

Notes to the Financial Statements continued
for the year ended 30 September 2005

18 OTHER FINANCIAL COMMITMENTS (continued)

The annual commitments of the Group for non-cancellable operating leases are:

	2005		2004	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
For leases expiring				
Within 1 year	247	181	115	128
In 2-5 years	739	291	846	385
Over 5 years	659	–	361	–
	1,645	472	1,322	513

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

The parent company has annual commitments for non-cancellable operating leases on land and buildings expiring in over 5 years of £174,000 (2004: £169,000).

19 STOCKS

	Group	
	2005 £'000	2004 £'000
Raw materials	9,865	7,258
Work in progress	4,536	4,762
Finished goods	9,603	8,963
	24,004	20,983

20 DEBTORS

	Group		Parent	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts falling due within one year:				
Trade debtors	40,090	35,788	15	5
Group undertakings	–	–	57,804	4,991
Deferred tax	788	795	–	–
Other debtors	9,698	5,873	589	257
Prepayments	1,463	1,681	93	42
	52,039	44,137	58,501	5,295
Amounts falling due after more than one year:				
Group undertakings	–	–	–	27,618
Other debtors	604	617	–	–
	604	617	–	27,618
	52,643	44,754	58,501	32,913

21 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	2005	2004 (restated see note 24)	2005	2004
	£'000	£'000	£'000	£'000
Bank loans	32,260	21,017	29,331	18,339
US dollar private placement	2,405	2,344	–	–
Bank overdrafts	1,217	1,277	–	–
Finance leases	2	3	–	–
Total borrowings falling due within 1 year	35,884	24,641	29,331	18,339
Trade creditors	30,460	27,796	531	438
Group undertakings	–	–	6,860	5,456
Corporation tax	1,153	2,019	2,930	2,889
Other taxation and social security	3,275	2,996	220	171
Other creditors	6,617	6,468	75	453
Accruals	6,918	6,746	606	548
Proposed dividend on ordinary shares	1,315	1,268	1,315	1,268
	85,622	71,934	41,868	29,562

22 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Parent	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans	19,907	7,840	19,907	7,840
US dollar private placement	4,847	7,091	–	–
Total borrowings falling due after more than one year	24,754	14,931	19,907	7,840
Other creditors	1,155	401	–	–
	25,909	15,332	19,907	7,840

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

The US dollar denominated private placement loan is stated net of unamortised issue costs of £18,000 (2004: £39,000).

23 FINANCIAL INSTRUMENTS

Treasury Policy

Details of the role that financial instruments have had during the period in creating or changing the risks the Group faces in its activities are discussed in the financial review on page 7. The financial review also discusses the objectives and policies for holding or issuing financial instruments and the strategies for achieving those objectives.

Short term debtors and creditors

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

Interest rate risk of financial assets

	2005			2004		
Currency	Cash at bank and in hand £'000	Investments £'000	Total £'000	Cash at bank and in hand £'000	Investments £'000	Total £'000
Sterling	561	3,745	4,306	1,694	2,600	4,294
US dollars	991	1,272	2,263	806	1,518	2,324
Euros	1,653	–	1,653	2,465	–	2,465
Other currencies	697	–	697	802	–	802
	3,902	5,017	8,919	5,767	4,118	9,885

Cash at bank and in hand balances are denominated in a number of currencies and earn interest based on national base rates. Investments relate to holdings in sterling and US dollar money and bond funds, the returns on which relate to the performance of the underlying assets.

23 FINANCIAL INSTRUMENTS (continued)

Interest rate risk of financial liabilities

Currency	2005			2004		
	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Total £'000
Sterling	653	2	655	866	3	869
US dollars	28,462	7,252	35,714	14,368	9,435	23,803
Euros	21,254	–	21,254	11,922	–	11,922
Other currencies	3,015	–	3,015	2,978	–	2,978
	53,384	7,254	60,638	30,134	9,438	39,572

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

Fixed rate financial liabilities comprise finance leases and a dollar denominated loan of \$12.8 million (2004: \$17.1 million).

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

In addition to the above, the Group warranty and reorganisation provisions, detailed in note 24, meet the definition of financial liabilities.

Fixed rate financial liabilities

Currency	2005		2004	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Weighted average period for which rate is fixed Years
US dollars	8.5	0.8	8.5	1.2

Maturity of financial liabilities

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

	2005			2004		
	Bank overdrafts and loans £'000	Finance leases £'000	Total £'000	Bank overdrafts and loans £'000	Finance leases £'000	Total £'000
In 1 year or less, or on demand	35,882	2	35,884	24,638	3	24,641
Between 1 and 2 years	9,838	–	9,838	14,931	–	14,931
Between 2 and 5 years	14,916	–	14,916	–	–	–
	60,636	2	60,638	39,569	3	39,572

Bank overdrafts and loans include the US dollar private placement.

The term of certain bank loans and overdrafts have been renegotiated after year-end. £29.3 million described above as maturing in 1 year or less, or on demand will now mature between 1 and 2 years.

23 FINANCIAL INSTRUMENTS (continued)

Borrowing facilities

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

	2005		2004	
	Floating rate £'000	Fixed rate £'000	Total £'000	Total £'000
Expiring within 1 year	8,078	–	8,078	13,048
Between 1 and 2 years	–	–	–	–
Total undrawn committed borrowing facilities	8,078	–	8,078	13,048
Bank loans and overdrafts utilised	53,379	7,252	60,631	39,569
Utilised in respect of guarantees	1,000	–	1,000	4,100
Total Group facilities	62,457	7,252	69,709	56,717

The facilities are subject to formal agreement with the providers of finance, certain facilities are secured by guarantees from subsidiary entities.

Further committed floating rate facilities of £5 million have been agreed with the Group's bank after year-end.

Fair values of financial assets and liabilities

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

	2005		2004	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Bank loans and overdrafts under 1 year	(33,477)	(33,477)	(22,294)	(22,294)
US dollar denominated loan	(7,270)	(7,347)	(9,474)	(9,904)
Bank loans over 1 year	(19,907)	(19,907)	(7,840)	(7,840)
Finance leases	(2)	(2)	(3)	(3)
Cash at bank and in hand	3,902	3,902	5,767	5,767
Current asset investments	5,017	5,017	4,118	4,118
Derivative financial instruments held to manage the interest rate and currency profile				
Forward foreign currency contracts	24	24	(12)	(12)
Derivative financial instruments held or issued to hedge the currency exposure on expected future sales and purchases				
Forward foreign currency contracts	–	68	–	(42)

The book value of the US dollar private placement is shown in the above table gross of unamortised issue costs of £18,000 (2004: £39,000).

23 FINANCIAL INSTRUMENTS (continued)

Summary of methods and assumptions

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

Currency exposures

The carrying value of monetary assets and liabilities held by operating units in currencies other than their functional currency, which are not covered by forward exchange contracts, is not material (2004: €2,021,000).

Hedges

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

	2005			2004	
Currency	Operating assets £'000	Unamortised goodwill £'000	Functional currency borrowings £'000	Remaining functional currency exposure £'000	Remaining functional currency exposure £'000
US dollar	34,268	8,909	35,714	7,463	5,348
Euro	12,578	9,390	21,254	714	13,547
Other currencies	12,879	-	3,015	9,864	7,234
	59,725	18,299	59,983	18,041	26,129

The unrecognised losses on forward foreign currency contracts at 30 September 2004 amounted to £42,000 which was recognised in the profit and loss account for the year ended 30 September 2005. The unrecognised gains on forward foreign currency contracts at 30 September 2005 amount to £68,000 which is expected to be recognised in the profit and loss account for the year ended 30 September 2006 as the transactions to which they relate occur.

24 PROVISIONS FOR LIABILITIES AND CHARGES – GROUP

	Deferred tax £'000	Warranty provision £'000	Reorganisation provision £'000	Total (restated) £'000
Balance at 30 September 2004	1,500	-	450	1,950
Prior year adjustment	-	2,344	-	2,344
Balance at 30 September 2004 as restated	1,500	2,344	450	4,294
Charged/(credited) to profit and loss account	(503)	(406)	6,337	5,428
Payments in year	-	(20)	(3,090)	(3,110)
Balance at 30 September 2005	997	1,918	3,697	6,612

Warranty provisions have been reclassified from creditors amounts falling due within one year to provisions for liabilities and charges as this presentation better reflects the nature of the underlying liabilities.

The costs of the reorganisation have been shown as exceptional charges (see note 5).

The reorganisation provision is expected to be fully utilised during the next year and the warranty provision during the next two years.

25 PROVISIONS FOR LIABILITIES AND CHARGES – PARENT

	Deferred tax £'000	Reorganisation provision £'000	Total £'000
Balance at 30 September 2004	1,356	–	1,356
(Credited)/charged to profit and loss account	(1,136)	732	(404)
Payments in year	–	(59)	(59)
Balance at 30 September 2005	220	673	893

The costs of the reorganisation have been shown as exceptional charges (see note 5).

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

26 CONTINGENT LIABILITIES

	Group		Parent	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Guarantees of overdraft facilities and loans of Group undertakings	–	–	24,453	30,881
Other guarantees	4,114	5,581	–	–
	4,114	5,581	24,453	30,881

The company and certain subsidiaries have unconditionally guaranteed the liabilities of Avon Rubber & Plastics Inc. in respect of its US \$12.8 million private debt placement.

The Group's UK bank has the right to set off the bank accounts of the Parent and the UK subsidiaries.

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

27 SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised:		
37,900,000 ordinary shares of £1 each	37,900	37,900
Called up, allotted and fully paid:		
28,121,000 ordinary shares of £1 each	28,121	27,824

During the year 297,274 ordinary shares were issued for the consideration of £297,274, pursuant to Savings Related Share Option Schemes.

At 30 September 2005, a Qualifying Employee Share Ownership Trust ("QUEST"), held 55,712 (2004: 55,836) ordinary shares in the company at a market value of £2.14 per share, all of which were under option to employees. 666,190 (2004: 1,350,000) ordinary shares are also held by a trust in respect of obligations under the 2002 Performance Share Plan. Dividends on all of these shares have been waived, additionally the QUEST has waived any voting rights.

Details of outstanding share options are given on page 19.

28 SHARE PREMIUM ACCOUNT AND RESERVES – GROUP

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account (restated) £'000	Total £'000
At 30 September 2004	34,070	2,213	500	(856)	35,927
Transfer from revaluation reserve to profit and loss account	–	(462)	–	462	–
Unrealised exchange differences on overseas investments	–	–	–	606	606
Movement in respect of employee share scheme	–	–	–	(620)	(620)
Actuarial loss recognised in retirement benefit schemes	–	–	–	(2,301)	(2,301)
Current year loss	–	–	–	(6,155)	(6,155)
At 30 September 2005	34,070	1,751	500	(8,864)	27,457
Avon Rubber p.l.c. and subsidiaries	34,070	1,751	500	(8,528)	27,793
Joint venture	–	–	–	(336)	(336)
	34,070	1,751	500	(8,864)	27,457

Amounts previously disclosed as other reserves relating to shares held by the ESOP trust have been reclassified as a deduction from the profit and loss reserve. The amount deducted in 2005 is £1,597,000 (2004: £977,000).

29 SHARE PREMIUM ACCOUNT AND RESERVES – PARENT

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account (restated) £'000	Total £'000
At 30 September 2004	34,070	16,439	462	500	22,699	74,170
Transfer from revaluation reserve to profit and loss account	–	–	(462)	–	462	–
Movement in respect of employee share scheme	–	–	–	–	(620)	(620)
Current year retained profit	–	–	–	–	9,343	9,343
At 30 September 2005	34,070	16,439	–	500	31,884	82,893

Cash in respect of a \$20 million dividend from a North American subsidiary has not yet been received and this portion of the profit and loss account reserve is non-distributable.

Amounts previously disclosed as other reserves relating to shares held by the ESOP trust have been reclassified as a deduction from the profit and loss reserve. The amount deducted in 2005 is £1,597,000 (2004: £977,000).

30 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Continuing operations		
Total operating (loss)/profit	(1,325)	10,116
Goodwill amortisation	802	681
Amortisation of development costs	1,259	1,200
Amortisation of loan issue costs	58	92
Depreciation of tangible fixed assets	8,513	8,934
Writeback of owned shares reserve	(620)	430
(Profit)/loss on sale of tangible fixed assets	(119)	164
Increase in stocks	(855)	(2,475)
(Increase)/decrease in debtors	(3,718)	1,029
(Decrease)/increase in creditors	(881)	1,574
(Decrease)/increase in pension liability	(228)	212
Share of operating profits of joint venture	(111)	(138)
Increase/(decrease) in provisions	5,183	(91)
Total net cash inflow from continuing operations	7,958	21,728

31 ACQUISITIONS

On 20 June 2005 the Group acquired a US company; International Safety Instruments Inc (ISI). The total cost of the acquisition was £12,749,000, including £302,000 of acquisition expenses. The value of the net assets acquired totalled £3,992,000 giving rise to goodwill of £8,757,000.

This acquisition has been accounted for using acquisition accounting. The fair value adjustment for alignment of accounting policies relates to the restatement of stock from a LIFO to a FIFO valuation basis, in accordance with Group policy. Further fair value adjustments are still being evaluated, as such the fair values below are provisional.

A summary of the assets acquired is given below:

	Book value £'000	Consistency of accounting policies £'000	Net assets acquired £'000
Tangible fixed assets	838	-	838
Stocks	1,419	391	1,810
Debtors	2,060	-	2,060
Creditors	(973)	-	(973)
Cash	257	-	257
	3,601	391	3,992
Goodwill			8,757
Total Cost			12,749
Deferred consideration			(1,097)
Cash paid			11,652

From the date of acquisition to 30 September 2005, ISI has contributed £2.3 million in turnover and £nil in operating profit and profit after tax. From 1 January 2005 to 20 June 2005, ISI had turnover of £5.9 million, an operating profit of £1.1 million, a taxation charge of £0.4 million and a profit after tax of £0.7 million. For the year ended 31 December 2004 the profit after tax was £1.2 million. There is no difference between the profit after tax and the recognised gains and losses for these periods. The deferred consideration will be paid subject to Donald W Dawson remaining in employment for two years following the acquisition. (see note 33)

32 ANALYSIS OF NET DEBT

	At 1 Oct 2004 £'000	Cash flow £'000	Amortisation of loan issue costs £'000	Exchange movements £'000	Acquisitions £'000	At 30 Sept 2005 £'000
Cash at bank and in hand	5,767	(2,183)	-	61	257	3,902
Overdrafts	(1,277)	78	-	(18)	-	(1,217)
Debt due after 1 year	(14,931)	(9,399)	(14)	(410)	-	(24,754)
Debt due within 1 year	(23,361)	(10,660)	-	(644)	-	(34,665)
Finance leases	(3)	1	-	-	-	(2)
Current asset investments	4,118	874	-	25	-	5,017
	(29,687)	(21,289)	(14)	(986)	257	(51,719)

33 RELATED PARTY TRANSACTIONS

During the year the Group purchased International Safety Instruments Inc. (ISI) from the Donald Dawson Family Limited Partnership, an entity controlled by Donald W Dawson. Donald W Dawson will continue in his current role as managing director of ISI. Details of the transaction are included in note 31. At 30 September 2005 the outstanding balance payable to the Donald Dawson Family Limited Partnership was £1.1 million.

**Group Undertakings and
Participating Interests**
at 30 September 2005

	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 Automotive Deutschland GmbH		Germany
Avon Caoutchouc S.A.S.		France
Avon Engineered Fabrications Inc.		USA
Avon Hi-Life Inc.		USA
Avon Injected Rubber & Plastics Inc.		USA
Avon Milk-Rite Inc.		USA
Avon Polymères France S.A.S.		France
Avon Protection Systems Inc.		USA
Avon Rubber & Plastics Inc.		USA
Avon Rubber Polimeros L.D.A.		Portugal
Avon Automotive a.s.		Czech Republic
Avon Vibration Management Systems Limited		UK
Avon Zatec LLC.		USA
Avon-Ames Limited	51%	UK
Cadillac Rubber & Plastics Inc.		USA
Cadillac Rubber & Plastics de Mexico SA de CV*		Mexico
Codimex SA de CV*		Mexico
CT Rubber & Plastics Inc.		USA
Industrial Flexo S.A.		Spain
International Safety Instruments Inc.		USA
Nova Insurance Limited		Guernsey
PHT Inc.		USA
Proflex S.A.		Spain
Undertakings in which the Group has a participating interest		
Gold Seal-Avon Polymers PVT*†	50%	India
Longbore Inc.	9%	USA

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

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

Avon Rubber Pension Trust Limited, Nova Insurance Limited and Longbore Inc. are, respectively, a pension fund trustee, an insurer and a pollution remediation contractor. Avon Rubber Overseas Limited, Avon Caoutchouc S.A.S., 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.

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

Five Year Record

Avon Rubber p.l.c.
32965

	2005 £'000	2004 (restated) £'000	2003 £'000	2002 £'000	2001 £'000
Turnover	239,735	239,212	248,507	250,509	278,041
Profit on trading	16,051	19,593	20,523	21,493	21,177
Share of profits of joint venture and associated company	111	138	45	21	119
	16,162	19,731	20,568	21,514	21,296
Goodwill amortisation	(802)	(681)	(681)	(626)	(617)
Depreciation	(8,527)	(8,934)	(9,527)	(10,446)	(11,945)
Operating profit before exceptional items	6,833	10,116	10,360	10,442	8,734
Reorganisation costs	(8,158)	-	-	(6,701)	(1,355)
Impairment of tangible fixed assets	-	-	-	-	(2,201)
(Loss)/profit on sale of fixed assets and investments	-	-	-	(1,205)	-
Loss on sale of operations	-	-	-	(568)	(8,916)
(Loss)/profit before interest	(1,325)	10,116	10,360	1,968	(3,738)
Net interest	(1,500)	(1,431)	(2,925)	(3,423)	(5,321)
(Loss)/profit before taxation	(2,825)	8,685	7,435	(1,455)	(9,059)
Taxation	(874)	(1,658)	(1,976)	(310)	640
(Loss)/profit after taxation	(3,699)	7,027	5,459	(1,765)	(8,419)
Minority interests	(115)	(389)	(108)	194	(30)
(Loss)/profit attributable to Avon shareholders	(3,814)	6,638	5,351	(1,571)	(8,449)
Preference dividends	-	-	-	-	(23)
Ordinary dividends	(2,341)	(2,245)	(2,131)	(2,031)	(1,938)
Retained (loss)/profit	(6,155)	4,393	3,220	(3,602)	(10,410)
Fixed assets and investments	109,576	99,993	106,594	107,327	115,065
Working capital	25,754	18,043	15,245	17,702	24,719
Provisions	(6,612)	(4,294)	(1,957)	(6,458)	(6,179)
Pension liability	(20,656)	(19,654)	(19,930)	-	-
Assets employed	108,062	94,088	99,952	118,571	133,605
Financed by:					
Ordinary share capital	28,121	27,824	27,824	27,824	27,824
Reserves attributable to Avon shareholders	27,457	35,927	32,586	48,259	51,093
Minority shareholders' interests	765	650	1,520	1,467	1,721
Shareholders' capital employed	56,343	64,401	61,930	77,550	80,638
Net borrowings	51,719	29,687	38,022	41,021	52,967
Capital employed	108,062	94,088	99,952	118,571	133,605
Basic (loss)/earnings per share	(14.1)p	25.1p	20.0p	(5.7)p	(30.6)p
Dividends per share	8.5p	8.5p	8.0p	7.5p	7.0p

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

Years prior to 2004 have not been restated for the effect of the change in presentation of provisions.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of shareholders will be held at Melksham House, Market Place, Melksham, Wiltshire on 19 January 2006 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 2005 (Resolution No. 1).
3. To declare a dividend on the ordinary shares (Resolution No. 2).
4. To approve the remuneration report of the Directors (as set out on pages 14 to 19 of the annual report) for the year ended 30 September 2005 (Resolution No. 3).
5. To re-elect Directors:-

Mrs. S.J. Pirie retires under the provisions of Article 84 and, being eligible, offers herself for re-election (Resolution No. 4).

Mr. P.C. Slabbert retires under the provisions of Article 84 and, being eligible, offers himself for re-election (Resolution No. 5).

Mr. T.C. Bonner retires by rotation and, being eligible, offers himself for re-election (Resolution No. 6).

Mr. T.K.P. Stead retires by rotation and, being eligible, offers himself for re-election (Resolution No. 7).
6. 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. 8).
7. To transact any other routine business.
8. As special business to consider and, if thought fit, to pass the following resolution as a special resolution (Resolution No. 9):

That:

(a) the Memorandum of Association of the Company be amended by:

(i) the insertion of a new paragraph (LL) of Clause 4 after the existing paragraph (KK) as follows:

"(LL) To provide a Director or other officer of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under those provisions of the Companies Act 1985 referred to in section 337A of that Act and to do anything to enable a Director or other officer of the Company to avoid incurring such expenditure."; and
(ii) the re-numbering of the remaining paragraphs of Clause 4 accordingly.

(b) the Articles of Association of the Company be amended by the deletion of Article 141 and the insertion of a new Article 141 as follows:

"141 Indemnity

141.1 Subject to the provisions of, and so far as may be permitted by and consistent with, the Statutes, every Director and officer of the Company shall be indemnified by the Company out of its own funds against (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company other than (i) any liability to the Company or any associated company (as defined in Section 309A(6) of the Act) and (ii) any liability of the kind referred

to in Sections 309B(3) or (4) of the Act; and (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office. Where a Director or officer is indemnified against any liability in accordance with this paragraph 141.1, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto.

141.2 Without prejudice to paragraph 141.1 above, the Directors shall have power to purchase and maintain insurance for or for the benefit of (i) any person who is or was at any time a Director or officer of any Relevant Company (as defined in paragraph 141.3 below), or (ii) any person who is or was at any time a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by or attaching to him in respect of any act or omission in the actual or purported execution and/or discharge of his duties and/or in the exercise or purported exercise of his powers and/or otherwise in relation to his duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme (and all costs, charges, losses, expenses and liabilities incurred by him in relation thereto).

141.3 For the purpose of paragraph 141.2 above "Relevant Company" shall mean the Company, any holding company of the Company or any other body, whether or not incorporated, in which the Company or such holding company or any of the predecessors of the Company or of such holding company has or had any interest whether direct or indirect or which is in any way allied to or associated with the Company, or any subsidiary undertaking of the Company or of such other body.

141.4 Subject to the provisions of and so far as may be permitted by the Statutes, the Company (i) may provide a Director or officer with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under the provisions mentioned in Section 337A(2) of the Act and (ii) may do anything to enable a Director or officer to avoid incurring such expenditure, but so that the terms set out in Section 337A(4) of the Act shall apply to any such provision of funds or other things done."

9. As special business to consider and, if thought fit, as an ordinary resolution to approve the amendment to the rules of the Avon Rubber p.l.c. Performance Share Plan 2002 to provide participants with dividend equivalents (Resolution No. 10).
10. As special business to consider and if thought fit pass the following resolution which will be proposed as an Ordinary Resolution (Resolution No. 11):

"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 2007 or on 19 April 2007, whichever is the earlier, and, for such period the section 80 amount shall be £9,375,676"
11. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 12):

"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 2007 or on 19 April 2007, whichever is the earlier, and for such period the section 89 amount shall be £1,406,351."

12. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 13):

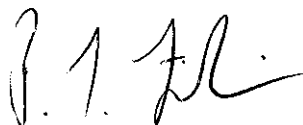
"That the Company be and is hereby unconditionally and generally authorised for the purpose of section 166 of the Company's Act 1985 to make market purchases (as defined in section 163 of the Act) of ordinary shares of £1 each in the capital of the Company provided that:

- (a) the maximum number of shares which may be purchased is 4,216,241;
- (b) the minimum price which may be paid for each share is 1p;
- (c) the maximum price which may be paid for a share is an amount equal to 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange London official list for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and
- (d) this authority shall expire at the conclusion of the annual general meeting of the Company held in 2007 or, if earlier, on 19 July 2007 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time".

A member entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him.

A proxy need not be a member of the Company.

By order of the Board
P.J. Fairbairn, Secretary
Melksham, Wiltshire
19 December 2005



A form of proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.

To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power of authority) must be deposited at the Company's registrar, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA, not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting), for the taking of the poll at which it is to be used.

Documents for inspection

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

- (i) the Register of Directors' interest showing any transactions of Directors and their family interests in the share capital of the Company; and
- (ii) copies of all Contracts of Service under which the Directors of the Company are employed by the Company or any of its subsidiaries.
- (iii) New Memorandum and Articles of Association amended to reflect the changes proposed by resolution No. 9.
- (iv) Draft rules of the Avon Rubber p.l.c. Performance Share Plan 2002.

Explanation of Resolution No. 9: To amend Memorandum and Articles

The Board proposes that the Memorandum of Association and the Articles of Association of the Company be amended to reflect certain new statutory provisions which allow a company to provide its directors with funds to cover the costs incurred by a director in defending legal proceedings against him or her. The Companies (Audit, Investigations and Community Enterprise) Act 2004 (the "Companies Act 2004") inserts a new section 337A in the Companies Act 1985 allowing a company to provide its directors with funds to cover the costs of defending legal proceedings against him or her on an "as incurred" basis. Previously a company has only been able to fund a director's defence costs once final judgement in his favour has been reached. Since directors are increasingly being added as defendants in actions against companies, and litigation is often lengthy and expensive, the Board proposes that the Memorandum of Association and the Articles be amended to take advantage of the new provisions so that the Company may fund a director's defence costs if an action were to be brought against him or her. The proposed amendment to the Memorandum of Association (new paragraph (LL) of Clause 4) inserts as a power the ability to fund defence costs and the proposed amendment to the Articles (new Article 141) provides that the directors may receive the benefit of this protection. Individual directors would still be liable to pay any damages awarded to the Company in an action against them, and to repay their defence costs to the extent funded by the Company, if their defence is unsuccessful.

The Companies Act 2004 also inserts a new section 309A in the Companies Act 1985 requiring a company to indemnify its directors against any liability incurred by a director to any person (other than the company or any associated company) in connection with any negligence, default, breach of duty or breach of trust in relation to the company. This was previously prohibited under section 310 of the Companies Act 1985. The proposed amendments to Article 141 allow the Company to take advantage of these new provisions. The Board believes that the provision of appropriate indemnities to directors is important to ensure that the Company continues to attract and retain a high calibre of directors.

Although the scope of directors' indemnification would be widened if the amendment to the Articles is adopted, the Company will consider the circumstances in which the indemnity should not be available to directors as market practice in relation to the new legislation develops and will only make use of the widened powers to the extent considered necessary and appropriate.

Explanation of Resolution No. 10: Amendments to the Avon Rubber p.l.c. Performance Share Plan

This resolution approves an amendment to the Avon Rubber p.l.c. Performance Share Plan to provide participants with dividend equivalents.

Under the amended plan rules, the Remuneration Committee has the discretion to give participants the right to a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been paid on those shares between the time when the awards were granted and the time when they vest, on the basis that those dividends had been reinvested. This proposal will only apply to awards granted after the annual general meeting and in making awards, the Remuneration Committee will take into account reasonable expectations as to the value of the dividend stream on the Company's shares over the period to vesting. If shares may not be released to participants because the awards vest during a prohibited period, the Remuneration Committee may give participants the right to a dividend equivalent to take account of the net dividends paid between vesting and the end of the prohibited period. This will apply to new and existing awards.

Notice of Annual General Meeting continued for the year ended 30 September 2005

Explanation of Resolution Nos. 11 and 12.

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 2005 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. 11 to renew the authority of the Directors to allot shares up to an aggregate nominal amount of £9,375,676 ("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. 12 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 £1,406,351 ("the section 89 amount") being 5% of the issued ordinary share capital as shown in the latest audited financial statements.

The proposed new section 80 amount and the proposed new section 89 amount have been adjusted to reflect the increase in the issued share capital which has taken place during the year as a result of employees and directors exercising their rights under the Avon Rubber p.l.c. Sharesave Option Scheme 2002. In connection with the section 80 amount the Investment Committees require that the amount should be the lesser of the authorised but unissued share capital and an amount equal to one third of the existing issued ordinary share capital; this year 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. 11 and 12 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 2007 or on 19 April 2007 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. 13.

It is proposed, by way of Resolution No. 13, 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. 13 would grant the Company authority to make purchases on the London Stock Exchange of up to 4,216,241 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 2007 or, if earlier, 19 July 2007. 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 25 November 2005 there were options to subscribe outstanding over 1,108,088 ordinary shares, representing 3.9% of the Company's ordinary issued share capital. If the authority given by Resolution No. 9 were to be fully exercised, these options would represent 4.6% of the Company's ordinary issued share capital. As of 25 November 2005 there were no warrants outstanding over ordinary shares.

The Directors intend to exercise the power given by Resolution No. 13 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. 13 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.