AVON RUBBER p.l.c.

NEWS RELEASE

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Strictly embargoed until 07:00 30 November 2006

Preliminary results for the year ended 30 September 2006

	30 Sept 2006 £Millions	30 Sept 2005 £Millions
GROUP*		
Revenue	**230.8**	239.7
Operating profit/(loss)	**1.6**	(2.0)
Operating profit before exceptional items	**3.0**	6.2
CONTINUING OPERATIONS		
Revenue	**65.0**	46.9
Operating loss	**(2.5)**	(3.2)
Operating loss before exceptional items	**(2.0)**	(1.9)
DISCONTINUED OPERATIONS		
Revenue	**165.8**	192.8
Operating profit for the year	**4.1**	1.2
Operating profit for the year before exceptional items	**5.0**	8.1
LOSS PER SHARE:		
Basic	**(68.9)p**	(19.1)p
Continuing operations	**(20.9)p**	(21.9)p
DIVIDENDS PER SHARE	**8.5p**	8.5p

*The Group figures are non statutory items which have been reconciled to the Income Statement within Note 2.

- **Year of significant strategic change**
- **Group now focusing on respiratory protection, dairy, aerosol gaskets and engineered fabrications**
- **Revenue on continuing operations up 39%**
- **Net debt reduced to £1.1 million**
- **Dividend maintained**
- **Results prepared under International Financial Reporting Standards (IFRS)**

Commenting on the results, Terry Stead, Chief Executive said:

"The last eighteen months has been a period of significant strategic change for the Group. Having disposed of our Automotive business and closed or restructured other loss making activities, we are now focused on the opportunities in respiratory protection, dairy, aerosol gaskets and engineered fabrications. Our position in respiratory protection has been strengthened by the acquisition of ISI, the launch of the new escape hood and the transfer into production of the new M50 range of respirators and their associated filters for the US government.

In the UK we are seeing the benefits of the cost reduction measures taken last year. We are also experiencing increased demand for our legacy respiratory protection products and our new escape hood. In North America both our dairy and engineered fabrications businesses continue to perform well. Since the year end the overall performance from our continuing operations is improving and we expect significant growth from the North American respiratory protection business.

The Board is confident that the strategic changes that have been made have laid the foundation for a period of exciting and profitable growth for the Group."

For further enquiries, please contact:

Avon Rubber p.l.c
Terry Stead, Chief Executive 020 7067 0700
Peter Slabbert, Group Finance Director (until 2.00pm)
From 1 December 01225 896 831

Weber Shandwick | Square Mile
Richard Hews 020 7067 0700
Rachel Taylor
Hannah Marwood

An analyst meeting will be held at 09:15 for 09:30 am this morning at the offices of Weber Shandwick Square Mile, Fox Court, 14 Gray's Inn Road, London, WC1X 8WS

NOTES TO EDITORS: Avon Rubber p.l.c. is an international polymer engineering group adding value through material, manufacturing and industry sector expertise. The Group is currently capitalised at approximately £45 million.

AVON RUBBER p.l.c.

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

INTRODUCTION

We have completed a major strategic restructuring during the year. We sold our Automotive business, finalised the restructuring at our Hampton Park West facility and completed the disposal of Avon Zatec. This repositions the Group in our chosen markets of respiratory protection, dairy, aerosol gaskets and engineered fabrications where we believe the opportunities exist for us to benefit from higher margin growth and sustainable earnings.

Trading was disappointing during the year, particularly in the second half. Having announced the Automotive disposal in May, the delayed August completion date meant that we incurred losses associated with customer shutdown periods of July/August without the benefit of normally improved trading in September. Interest costs were also higher due to the delayed completion. The short-term improvements expected at the half year from our respiratory protection business were not realised as originally planned. This was through a combination of market factors and the inherent uncertainties associated with the introduction and approval of new safety critical products in a demanding regulatory environment, where a large proportion of our sales are now to military users or other governmental organisations. Once contracts start these provide for long-term and consistent revenue streams although the exact timing of initial production orders is less predictable.

The transfer into production of the new generation US military respirator and the associated filters continues to make progress. We have received further orders for this respirator and expect the full rate production order shortly. This will enable our respiratory protection business in Cadillac, Michigan, to grow and operate at planned levels of profitability. The businesses situated in Hampton Park West are now showing significant improvements and production rates of the newly introduced rapid escape hood are approaching targeted levels. Our North American dairy business and engineered fabrications continue to demonstrate strong operational performance.

RESULTS

The Group reports full year results for the first time under International Financial Reporting Standards (IFRS), adopted from the date of transition being 1 October 2004. .

Revenue from continuing operations increased by 39% to £65.0m (2005: £46.9m). The operating loss decreased from £3.2m in 2005 to £2.5m; however, the operating loss before exceptional items increased from £1.9m to £2.0m.

The exceptional charges for the year ended 30 September 2006 relate to a restructuring programme at our Hampton Park West facility to reduce its cost base and to the impairment of the loss making Mixing facility in Westbury, offset by a profit on the sale and leaseback of the Hampton Park West site.

Group operating profit on an IFRS basis, but presented in a UK GAAP format, was £3.0m before exceptional items (2005: £6.2m) and the profit before tax and exceptional items on a similar basis was £1.7m (2005: £4.8m).

Net interest costs increased to £3.4m (2005: £2.5m) due to higher global interest rates and higher levels of borrowings through much of the year. This follows the acquisition of International Safety Instruments (ISI) in June 2005 for an initial cash consideration of £11.7m, high levels of capital expenditure in our developing respiratory protection business and the later than expected completion of the sale of our Automotive business. Following this disposal, net debt reduced to £1.1m (2005: £51.7m) at year end. Prior to the effect of disposals and a high level of investment ahead of planned growth, we generated net cash from operating activities of £0.7m (2005: £4.2m).

Further investment is planned for 2007, particularly in product development in our Protection business and in the working capital associated with planned growth.

After net interest and other finance income the loss before tax was £3.7m (2005: £4.7m). After a tax charge of £2.0m (2005: £1.1m), the loss for the year from continuing operations was £5.7m (2005: £5.8m).

The tax charge relates to tax on profits in our US entities and the derecognition of tax assets in the UK. Tax credits on losses in the UK are not being recognised until there is greater certainty about the timing of their utilisation.

The discontinued operations comprising the disposed Automotive business, the disposed business machines operations at Zatec and the closed business machines operation at Hampton Park West, incurred a loss for the year of £13.4m (2005: profit £0.7m). This reflects an operating profit before exceptional items of £5.0m (2005: £8.1m), a loss on disposal of the Automotive operations of £17.4m, a loss on disposal of Zatec of £0.6m, £0.9m of exceptional operating costs relating to the discontinuation of business machine operations in the UK and a tax credit of £0.6m (2005: charge £0.6m).

The loss per share was 68.9p (2005: 19.1p) and the loss per share on continuing operations was 20.9p (2005: 21.9p).

PROTECTION AND ENGINEERED PRODUCTS

Sales revenue from continuing businesses increased by 39% to £65.0m (2005: £46.9m).

This growth originated in three main areas. ISI's full year's sales totalled £11.3m (2005: £2.3m post acquisition) even though they suffered from a disappointing second half as a result of delayed Federal grants to fire departments in the US. Avon Engineered Fabrications' sales increased by 83% to £8.4m (2005: £4.6m) reflecting strong growth in our military portable storage tank business. In Protection we experienced an increase in recoverable product development activity and the commencement of respirator sales from our new facility in Cadillac, but lower sales in the UK.

Dairy made modest progress in its mature markets with improvements primarily in the US. The UK Dairy operations stabilised following sales reductions in 2005. The Aerosol gasket business grew by 5% with further growth, particularly in the US, being targeted.

The operating loss before exceptional items from continuing businesses was £2.0m (2005: £1.9m). This loss is shown after absorption of all central costs. Despite Automotive being part of the Group for much of the year no central costs were allocated to this segment. These costs have been further reduced since the disposal.

The operating loss from continuing businesses represents a mixture of profitable stable businesses, businesses investing for growth and loss making operations:

- Our US based businesses, Hi-Life (dairy), Avon Engineered Fabrications (flexible fabrications) and ISI (SCBA equipment) all made significant profit contributions.

- The Protection businesses are resourced for further growth in respirators and rapid escape hoods. However, in the year, the UK business experienced a low level of legacy respirator sales.

- Our UK Dairy and Aerosol gasket businesses underperformed due to an unacceptably high cost base which has now been addressed. The Mixing operation incurred a significant loss and central costs were at levels higher than we expect going forward.

The opportunity for improvement clearly lies in delivering the planned revenue growth, particularly in respiratory protection, cost reductions in the UK actioned through the now completed restructuring and elimination of loss making activities.

Discontinued business revenue fell by 15% to £5.5m (2005: £6.5m). Falling revenues at our business machine blades operation led to the disposal of Zatec which was completed in September. In addition, we closed our UK business machine roller manufacturing operation in June, exiting another loss making business in long-term decline. The loss incurred in the discontinued operations (before exceptional items) was £0.9m (2005: £0.7m).

AUTOMOTIVE (DISCONTINUED BUSINESS)

Revenue of £160.2m (2005: £186.4m) reflects the reduced trading period of a little over ten months to 11 August, the challenge of growing sales in a generally stable market, price down pressures and a disproportionate exposure in the US market to the traditional Big 3 automotive manufacturers each of whom continued to lose market share. The resulting operating profit (excluding any allocation of central costs) was £5.9m (2005: £2.1m after exceptional operating items of £6.7m). At a trading level therefore, operating profit reduced by £2.9m. As a percentage of sales this is a reduction from 4.7% in 2005 to 3.7% in 2006, reinforcing our belief that we were unlikely to deliver acceptable returns from this business going forward. The reduction in profitability resulted despite significant cost elimination activities, including three facility closures in recent years along with the accompanying charges and associated write-offs.

Publicly announced cuts in production by major US customers, after the disposal was completed, confirm the volatility of the market and support our strategy to exit this area of our business.

CAPITAL STRUCTURE AND DIVIDEND

At the time of our interim statement in May, and following the disposal of the Automotive business, we stated that the Board would consider the appropriate capital structure for the Group. This would require balancing important factors, including perceived growth/acquisition opportunities, product development programmes, restructuring plans, on-going pension obligations and distribution policy.

The Board has undertaken this review and believes the Group is now poised for a period of organic growth, particularly in respiratory protection. This will require funding for both working capital and new product development. In addition, the Board wishes to be in a position to make appropriate acquisitions in pursuit of the Group’s strategy. There is still a deficit in the pension fund despite improved asset returns in the year, but with the latest valuation taking account of increased life expectancy. As a result the Board is of the opinion that, having taken into account current financing availability and potential debt capacity, any enhanced distribution may inhibit the opportunities for growth.

The Board is, however, recommending an unchanged final dividend of 4.8p per share (2005: 4.8p per share) which will be paid on 2 February 2007 to shareholders on the register on 12 January 2007. When added to the interim dividend of 3.7p per share (2005: 3.7p per share) the total dividend is unchanged at 8.5p per share (2005: 8.5p per share). The Board recognises that this dividend is not covered by current earnings but is committed to returning to appropriate levels of dividend cover going forward.

OUTLOOK

The last eighteen months has been a period of significant strategic change for the Group. Having disposed of our Automotive business and closed or restructured other loss making activities, we are now focused on the opportunities in respiratory protection, dairy, aerosol gaskets and engineered fabrications. Our position in respiratory protection has been strengthened by the acquisition of ISI, the launch of the new escape hood and the transfer into production of the new M50 range of respirators and their associated filters for the US government.

In the UK we are seeing the benefits of the cost reduction measures taken last year. We are also experiencing increased demand for our legacy respiratory protection products and our new escape hood. In North America both our dairy and engineered fabrications businesses continue to perform well. Since the year end the overall performance from our continuing operations is improving and we expect significant growth from the North American respiratory protection business.

The Board is confident that the strategic changes that have been made have laid the foundation for a period of exciting and profitable growth for the Group.

CONSOLIDATED INCOME STATEMENT
For the year ended 30 September

	Note	**Year to 30 Sept 06 (unaudited)**	Year to 30 Sept 05 (unaudited)
		£'000	£'000
Continuing operations			
Revenue	**2**	**65,042**	46,860
Operating loss from continuing operations	**2**	**(2,461)**	(3,198)
Operating loss is analysed as:			
Before exceptional items		**(1,997)**	(1,909)
Exceptional operating charges		**(464)**	(1,289)
Interest receivable		**123**	193
Interest payable		**(3,493)**	(2,670)
Other finance income		**2,151**	1,010
Loss before tax		**(3,680)**	(4,665)
Taxation	**3**	**(2,045)**	(1,116)
Loss for the year from continuing operations		**(5,725)**	(5,781)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	**4**	**(13,402)**	735
Loss for the year		**(19,127)**	(5,046)
(Loss)/profit attributable to minority interest		**(209)**	115
Loss attributable to equity shareholders		**(18,918)**	(5,161)
		(19,127)	(5,046)
Loss per share	**6**		
Basic		**(68.9)p**	(19.1)p
Diluted		**(68.9)p**	(19.1)p
Loss per share from continuing operations			
Basic		**(20.9)p**	(21.9)p
Diluted		**(20.9)p**	(21.9)p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 30 September

	Year to 30 Sept 06 (unaudited)	Year to 30 Sept 05 (unaudited)
	£'000	£'000
Loss for the financial year	**(19,127)**	(5,046)
Actuarial (loss)/gain recognised in retirement benefit scheme	**(2,143)**	3,974
Movement on deferred tax relating to retirement benefit liabilities	**115**	(6,275)
Net exchange differences offset in reserves	**(809)**	606
Net losses not recognised in income statement	**(2,837)**	(1,695)
Total recognised expense for the year	**(21,964)**	(6,741)
Attributable to:		
Minority interest	**(209)**	115
Equity shareholders	**(21,755)**	(6,856)
Total recognised expense for the year	**(21,964)**	(6,741)

CONSOLIDATED BALANCE SHEET
As at 30 September

	Note	**As at 30 Sept 06 (unaudited)**	As at 30 Sept 05 (unaudited)
		£'000	£'000
Assets			
Non-current assets			
Goodwill & intangible assets		**17,103**	30,296
Property, plant and equipment		**20,815**	71,294
Investments accounted for using equity method		**-**	146
Trade and other receivables		**-**	604
Deferred tax assets		**1,101**	3,208
		39,019	105,548
Current assets			
Inventories		**11,257**	24,004
Trade and other receivables		**15,530**	51,227
Derivative financial instruments		**-**	24
Cash and cash equivalents		**6,893**	8,919
		33,680	84,174
Liabilities			
Current liabilities			
Borrowings		**8,000**	35,884
Trade and other payables		**18,505**	47,270
Current tax liabilities		**736**	1,153
		27,241	84,307
Net current assets/(liabilities)		**6,439**	(133)
Non-current liabilities			
Borrowings		**-**	24,754
Deferred tax liabilities		**2,293**	3,116
Other non-current liabilities		**1,071**	1,155
Retirement benefit obligations		**14,666**	23,076
Provisions		**3,426**	5,615
		21,456	57,716
Net assets		**24,002**	47,699
Shareholders' equity			
Ordinary shares		**28,275**	28,121
Share premium account		**34,191**	34,070
Revaluation reserve		**-**	1,751
Capital redemption reserve		**500**	500
Translation reserve		**(203)**	606
Profit and loss account		**(39,317)**	(18,114)
Equity shareholders' funds	**7**	**23,446**	46,934
Minority interests (equity interests)		**556**	765
Total equity		**24,002**	47,699

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September

	Note	Year to 30 Sept 06 (unaudited)	Year to 30 Sept 05 (unaudited)
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	**8**	**6,261**	8,613
Interest received		**123**	234
Interest paid		**(3,890)**	(2,568)
Tax paid		**(1,750)**	(2,062)
Net cash from operating activities		**744**	4,217
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**-**	(11,395)
Disposal of subsidiaries (net of cash disposed)		**51,972**	-
Net proceeds from sale of property, plant and equipment		**4,935**	-
Net purchase of property, plant and equipment		**-**	(7,072)
Capitalised development costs		**(5,182)**	(4,774)
Net cash generated from/(used in) investing activities		**51,725**	(23,241)
Cash flows from financing activities			
Net proceeds from issues of ordinary share capital		**275**	297
Net movements in loans and finance leases		**(51,156)**	20,058
Decrease/(increase) in derivatives		**24**	(12)
Dividends paid to shareholders		**(2,332)**	(2,293)
Net cash (used in)/generated from financial activities		**(53,189)**	18,050
Effects of exchange rate changes		**(89)**	68
Net decrease in cash and cash equivalents		**(809)**	(906)
Cash and cash equivalents at beginning of the year		**7,702**	8,608
Cash and cash equivalents at end of the year		**6,893**	7,702

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. Basis of preparation

Financial Reporting

(a) The figures and financial information for the year ended 30 September 2006 do not constitute the statutory financial statements for that year. Those financial statements have not yet been delivered to the Registrar, nor have the auditors reported on them. The financial statements have been prepared in accordance with our accounting policies published in our IFRS conversion statement on 11 May 2006, which is available on our website at http:/www.avon-rubber.com/corporate/pressrelease.htm.

(b) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union (collectively "IFRS") and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The 2006 financial statements are the Group's first full year consolidated financial statements prepared under IFRS, with a transition date to IFRS of 1 October 2004. Consequently, the comparative figures for 2005 and the Group's balance sheet as at 1 October 2004 have been restated to comply with IFRS, with the exception of IAS 32: "Financial instruments: disclosure and presentation" and IAS 39: "Financial instruments: recognition and measurement" which have been applied from 1 October 2005. In addition, IFRS 1 on first time adoption allows certain exemptions from retrospective application of IFRS in the opening balance sheet at 1 October 2004.

For full details, of the 2005 restatement visit the investor section of our website www.avonrubber.com.

2. Segmental analysis

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

Primary reporting format – business segments For the year ended 30 September 2006	Continuing Protection & Engineered Products £'000	Discontinued Automotive Components £'000	Protection & Engineered Products £'000	Total £'000	Unallocated £'000	Group £'000
Revenue	65,042	160,245	5,469	165,714	-	230,756
Segment result before exceptional operating items	(1,997)	5,877	(918)	4,959	-	2,962
Exceptional operating items	(464)	-	(917)	(917)	-	(1,381)
Segment result after exceptional operating items	(2,461)	5,877	(1,835)	4,042	-	1,581
Loss on disposal of operations	-	(17,381)	(645)	(18,026)	-	(18,026)
Interest receivable					123	123
Interest payable					(3,493)	(3,493)
Other finance income					2,151	2,151
Loss before tax	(2,461)	(11,504)	(2,480)	(13,984)	(1,219)	(17,664)
Taxation	(2,045)	582	-	582	-	(1,463)
Loss for the year	(4,506)	(10,922)	(2,480)	(13,402)	(1,219)	(19,127)
Loss attributable to minority interest						(209)
Loss attributable to equity shareholders						(18,918)
						(19,127)

Primary reporting format – business segments For the year ended 30 September 2005	Continuing Protection & Engineered Products £'000	Discontinued Automotive Components £'000	Protection & Engineered Products £'000	Total £'000	Unallocated £'000	Group £'000
Revenue	46,860	186,391	6,484	192,875	-	239,735
Segment result before exceptional operating items	(1,909)	8,801	(709)	8,092	-	6,183
Exceptional operating items	(1,289)	(6,734)	(135)	(6,869)	-	(8,158)
Segment result after exceptional operating items	(3,198)	2,067	(844)	1,223	-	(1,975)
Share of post tax profits of joint venture	-	78	-	78	-	78
Interest receivable					193	193
Interest payable					(2,670)	(2,670)
Other finance income					1,010	1,010
Loss before tax	(3,198)	2,145	(844)	1,301	(1,467)	(3,364)
Taxation	(1,116)	(566)	-	(566)	-	(1,682)
(Loss)/profit for the year	(4,314)	1,579	(844)	735	(1,467)	(5,046)
Profit attributable to minority interest						115
Loss attributable to equity shareholders						(5,161)
						(5,046)

2. **Segmental analysis (continued)**

Secondary reporting format – geographical segments			**Continuing**			**Discontinued**	
For the year ended 30 September 2006	**Europe £'000**	**North America £'000**	**Total £'000**	**Europe £'000**	**North America £'000**	**Total £'000**	**Group £'000**
Revenue	22,266	42,776	65,042	91,230	74,484	165,714	230,756
Segment result before exceptional operating items	(7,084)	5,087	(1,997)	946	4,013	4,959	2,962
Exceptional operating items	(464)	-	(464)	(917)	-	(917)	(1,381)
Segment result after exceptional operating items	(7,548)	5,087	(2,461)	29	4,013	4,042	1,581

Secondary reporting format – geographical segments			**Continuing**			**Discontinued**	
For the year ended 30 September 2005	**Europe £'000**	**North America £'000**	**Total £'000**	**Europe £'000**	**North America £'000**	**Total £'000**	**Group £'000**
Revenue	23,962	22,898	46,860	111,124	81,751	192,875	239,735
Segment result before exceptional operating items	(5,287)	3,378	(1,909)	4,309	3,783	8,092	6,183
Exceptional operating items	(1,289)	-	(1,289)	(5,937)	(932)	(6,869)	(8,158)
Segment result after exceptional operating items	(6,576)	3,378	(3,198)	(1,628)	2,851	1,223	(1,975)

Central costs which were previously allocated to all business segments, have been allocated only to continuing operations.

The exceptional operating items comprise:

	2006 £'000	2005 £'000
Profit on disposal of fixed assets	**4,415**	-
Fixed asset impairment	**(3,442)**	-
Other operating charges - continuing	**(1,437)**	(1,289)
Exceptional operating items - continuing	**(464)**	(1,289)
Other operating charges – discontinued	**(917)**	(6,869)
	(1,381)	(8,158)

The profit on disposal of fixed assets relates to the profit on the sale and leaseback of the facility at Hampton Park West, Melksham, UK. The fixed asset impairment relates to our UK mixing facility. Both these are included in the Protection and Engineered Products continuing business segment and European secondary segment.

The other operating charges relate to the restructuring of our UK Protection & Engineered Products continuing operations (£1,437,000) and the costs associated with the discontinuance of business machine products manufactured in the UK (£917,000).

3. Taxation

The split of the tax charge/(credit) between UK and overseas is as follows:

	Year to 30 Sept 06 Continuing £'000	**Year to 30 Sept 06 Discontinued £'000**	**Year to 30 Sept 06 Total £'000**	Year to 30 Sept 05 Total £'000
United Kingdom	**1,011**	**(634)**	**377**	223
Overseas	**1,034**	**52**	**1,086**	893
	2,045	**(582)**	**1,463**	1,116

The tax charge relating to the sale of operations is £Nil (2005: £Nil)

4. Results from discontinued operations

	Year to 30 Sept 06 £'000	Year to 30 Sept 05 £'000
Revenue	**165,714**	192,875
Operating profit from discontinued operations	**4,042**	1,223
Operating profit/(loss) is analysed as:		
Before exceptional items	**4,959**	8,092
Exceptional operating items	**(917)**	(6,869)
Share of post tax profits of joint venture	**-**	78
Taxation on profits from discontinued operations	**582**	(566)
Loss on disposal	**(18,026)**	-
(Loss)/profit for the year from discontinued operations	**(13,402)**	735

The loss on disposal has been calculated as follows:	**Automotive £'000**	**Zatec £'000**
Proceeds from sale	**58,729**	**349**
Costs associated with sale	**(4,880)**	**(16)**
	53,849	**333**
Taxation on disposal	**-**	**-**
Net proceeds from sale	**53,849**	**333**
Net assets disposed of	**(69,330)**	**(978)**
	(15,481)	**(645)**
Other provisions	**(1,900)**	**-**
Loss on disposal after tax	**(17,381)**	**(645)**

The Group's Automotive components business was sold on 11 August 2006. Zatec was sold on 29 September 2006.

5. Dividends

The directors are proposing a final dividend in respect of the year ending 30 September 2006 of 4.8p which will absorb an estimated £1,325,000 of shareholders' funds. The dividend will be paid on 2 February 2007 to shareholders on the register at noon on 12 January 2007.

In accordance with IFRS the proposed final dividend is not recorded as a liability nor reflected in the income statement.

6. Earnings per share

Basic loss per share is based on a loss attributable to ordinary shareholders of £18,918,000 (2005: £5,161,000) and 27,454,995 (2005: 26,963,971) ordinary shares, being the weighted average of the shares in issue during the period on which dividends are paid.

Loss per share on continuing operations is based on a loss of £5,725,000 (2005: £5,781,000).

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

7. Reconciliation of changes in equity

	Year to 30 Sept 06 £'000	Year to 30 Sept 05 £'000
At the beginning of the year	**46,934**	55,405
Loss for the period attributable to equity shareholders	**(18,918)**	(5,161)
Dividends	**(2,331)**	(2,294)
Actuarial (loss)/gain recognised in retirement benefit schemes	**(2,143)**	3,974
Movement on deferred tax relating to retirement benefit liabilities	**115**	(6,275)
Net exchange differences offset in reserves	**(809)**	606
New share capital subscribed	**275**	297
Movement in respect of employee share scheme	**323**	382
At the end of the year	**23,446**	46,934

8. Cash generated from operations

	Year to 30 Sept 06 £'000	Year to 30 Sept 05 £'000
Continuing operations		
Loss for the financial year	**(5,725)**	(5,781)
Adjustments for:		
Tax	**2,045**	1,116
Depreciation	**2,126**	2,438
Impairment of fixed assets	**3,442**	-
Amortisation and impairment of intangibles	**613**	191
Net interest expense	**3,370**	2,477
Other finance income	**(2,151)**	(1,010)
Movements in working capital and provisions	**(5,655)**	(4,041)
Other movements	**(3,985)**	343
Cash used in continuing operations	**(5,920)**	(4,267)
Discontinued operations:		
(Loss)/profit for the financial year	**(13,402)**	735
Adjustments for:		
Tax	**(582)**	566
Depreciation	**5,047**	5,813
Loss on sale of subsidiaries	**18,026**	-
Amortisation and impairment of intangibles	**1,128**	2,312
Movements in working capital and provisions	**1,964**	3,554
Other movements	**-**	(100)
Cash generated from discontinued operations	**12,181**	12,880
Cash generated from operations	**6,261**	8,613

9. Analysis of net debt

	As at 30 Sep 05 £'000	Cash Flow £'000	Disposal of subsidiaries £'000	Amortisation of loan issue costs £'000	Exchange movements £'000	As at 30 Sept 06 £'000
Cash at bank and in hand	3,902	68	(2,122)	-	(25)	1,823
Overdrafts	(1,217)	1,226	-	-	(9)	-
Current asset investments classified as cash equivalents	5,017	108	-	-	(55)	5,070
Cash and cash equivalents	7,702	1,402	(2,122)	-	(89)	6,893
Debt due after 1 year	(24,754)	24,754	-	-	-	-
Debt due within 1 year	(34,665)	26,389	-	(83)	359	(8,000)
Finance leases	(2)	2	-	-	-	-
	(51,719)	52,547	(2,122)	(83)	270	(1,107)

10. Copies of the directors' report and the audited financial statements for the year ended 30 September 2006 will be posted to shareholders and may also be obtained from the company's registered office at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England. (Telephone +44 1225 896871), or via the corporate website (www.avon-rubber.com).