Interim Statement

INTRODUCTION

The half year to 31 March 2006 has ended with significant strategic developments underpinned by an improved operating performance. We are recommending to shareholders an offer to acquire our Automotive business at what we believe to be a fair and reasonable price, we are realising the benefits of our purchase of International Safety Instruments Inc. (ISI) last year, we have started delivery of the new generation Military respirator in the US and we are implementing improvement actions at our underperforming UK facilities.

The Group reports for the first time under International Financial Reporting Standards (IFRS). The proposed disposal of our Automotive division and the Board's expectation that this sale, subject to shareholder approval, will be completed, has required that this division be treated as a discontinued operation and an impairment taken for the expected loss on disposal. Accordingly we recorded a loss for the period of £15.9m of which £17.8m is represented by this loss on disposal which includes £10.3m of goodwill written off. At a trading level, total operating profit for continuing and discontinued operations, before exceptional items, increased to £4.2m (2005: £2.3m).

RESULTS

Revenue from continuing operations increased by 51% to £36.9m (2005: £24.5m). Automotive revenue increased to £96.7m (2005: £90.4m) giving total Group revenue of £133.6m (2005: £114.9m). Total operating profit from continuing operations improved to £0.1m from a loss of £1.1m (after exceptional items of £0.2m) in the same period last year. Net interest costs of £1.8m (2005: £1.1m) offset by other finance income of £1.3m (2005: £0.5m) resulted in a loss from continuing operations before tax of £0.4m (2005: £1.6m). After taxation of £0.2m credit (2005: £0.6m charge) the loss for the year from continuing operations was £0.2m (2005: £2.3m). The operating profit for the year from discontinued operations was £4.0m (2005: £1.5m after exceptional operating expenses of £1.8m). Interest and other finance income has been attributed to the legal entities to which they apply and accordingly all fall within the continuing operations.

The operating profit of discontinued operations reflects the revenues and costs of the entities for disposal with no apportionment of common or central costs. These costs are all reflected in the continuing operations. If an apportionment had been made on a similar basis to previous years but still on an IFRS basis the operating profit before exceptional items for Protection and Engineered Products was £2.0m (2005: £0.8m) and Automotive £2.2m (2005: £1.5m). For comparative purposes the operating profit (before exceptional items) under UK GAAP was for Protection and Engineered Products £2.0m (2005: £0.8m) and Automotive £2.2m (2005: £1.9m).

The basic loss per share was 58.3p (2005: loss per share of 4.6p). The basic loss per share from continuing operations was 1.2p (2005: 8.7p).

An effective tax rate of 45.9% has been applied to the profits generated in the period. This has resulted in a tax credit of £0.2m for continuing operations and a charge of £1.9m in relation to the discontinued operations. The increased rate reflects the non-recognition of deferred tax assets on losses in the UK and certain of the European entities. The disposal of the Automotive division is likely

Interim Statement
- continued

to result in a short term increase in the effective tax rate.

Net debt increased in line with our historic seasonal trend for the first half from £51.7m at the 2005 year end to £56.5m (2005: £35.9m). Further capital investment of £5.4m (2005: £2.9m) particularly in manufacturing capacity and product development in our respiratory protection operations and the working capital requirement associated with the growth in sales were the reasons for the £4.8m outflow. The acquisition of ISI for £11.7m and the cash costs of the exceptional charges taken in 2005 are reflected in the increase from the interim net debt position of 2005. The proposed Automotive disposal would have had a positive cash impact of £50.0m (before tax) based on the working capital position at the half year. Based on the projected working capital at completion the disposal is expected to have a positive cash impact of £54.1m before tax and £52.1m after tax.

PROTECTION AND ENGINEERED PRODUCTS

Revenue for the six months grew from £24.5m in 2005 to £36.9m. The growth came largely from our newly acquired ISI business in the US with revenue of £6.9m (2005: £nil for the Group as ISI was acquired in June 2005) in line with expectations, while our engineered fabrications business in Mississippi (AEF) also showed growth, particularly in the second quarter as it recovered from the effects of Hurricane Katrina in September last year. Further revenue growth came from our fledgling respirator facility in Cadillac, Michigan where we delivered the first shipment of the new M53 special forces mask to the US Department of Defense in March. The markets for our dairy products in both Europe and North America remained steady, as did those for business machines in Europe. The North American market for these business machines products continued its weaker trend as our customers re-source to lower cost areas. There remains a global market for our legacy respirators manufactured in the UK, although demand is variable dependent on military spend. Revenue of these products in 2006 have continued at the lower levels experienced in 2005.

The operating result improved from a loss of £1.1m in 2005 (after exceptional operating expenses of £0.2m) to a profit of £0.1m (after absorbing all central costs) and from £0.8m to £2.0m when central costs are apportioned across all operations. The improvement arises as a result of increased revenue except for the respirator facility in Cadillac where we have invested in operational infrastructure in advance of planned volume increases.

In our Protection business, the first production volumes of M53 respirators were delivered in the half year and the Low Rate Initial Production (LRIP) order for the higher volume M50 is scheduled for the second half. In the UK we have experienced frustrating delays in the introduction of the newly developed rapid escape hoods which have pushed back planned benefits to the second half, but the overall outlook for these products remains unchanged despite the delays. We expect to start realising the benefits of the investments we have made in infrastructure, intellectual property and capital equipment in the near term. ISI performed well and we are starting to see opportunities arising from our expanded product offering and integration of the technologies. Our target of developing a substantial respiratory protection business remains on track in this, our primary strategic growth area.

Hi-Life, our North American dairy business, has maintained its strong market position and operational performance while our European dairy business has stabilised as both an original equipment and own brand supplier. We remain convinced that our materials and manufacturing skills, our strong Milk-Rite brand and our expertise in milk flow technology give us the potential for growth outside our traditional geographic markets. Growth is also planned in our UK based aerosol gaskets business where increased sales resources and improved customer service are generating further opportunities, particularly in the US.

Despite the opportunities in respiratory protection and the strong performance from Hi-Life, AEF and ISI, the performance of our continuing operations remains constrained by the underperformance of our UK operations, losses in our UK mixing facility and the need to absorb a level of central overhead associated with the larger Group prior to the automotive disposal. As a consequence a restructuring of our UK manufacturing sites, focussed around our Hampton Park West facility to a size and cost base appropriate to our current levels of business in dairy, aerosol gaskets and protection is being undertaken. Amongst other measures this will involve the closure of a small facility in Trowbridge and a reduction in headcount. The benefits will be realised in 2007. We are taking actions to reduce losses at our UK mixing facility and exploring options to deliver shareholder value.

AUTOMOTIVE COMPONENTS

Our continual drive over the last few years to position our Automotive business in appropriate low labour cost areas and to concentrate on continuous cost and efficiency improvements has enabled us to deliver consistent operational performance in a consistently challenging trading environment. Operating profit before exceptional items, (including a share of central costs) increased to £2.2m (2005: £1.5m) which included achieving most of the planned £3.0m annualised cost savings from the closure of our Spanish facility in Calaf. Material and energy cost increases and customer price reductions prevented the delivery of the full benefits of these improvements.

We saw volume growth overall with revenue up from £90.4m to £96.7m particularly in North America with Greenbar (a small engine fuel barrier hose introduced in the second half of last year) continuing to grow into this new market and further volume increases in Orizaba, Mexico. Europe as a whole was steady although the proportion of revenue from our lower cost manufacturing sites in the Czech Republic and Portugal increased. The new facility in Turkey came on stream in April.

PROPOSED DISPOSAL

Despite the improved result in Automotive Components, our operating margins remain low at 4.7% in 2005 and 4.2% in the half year to 31 March 2006 (both before exceptional items and an apportionment of central costs) and the business remains vulnerable to relatively small volume changes and selling price and cost pressures. We believe therefore that the disposal and release of approximately £52.1m of net proceeds will significantly reduce the risk to the long term sustainability of our earnings and cashflows and reduce the risk of further exceptional charges from restructuring or site closures. These risks and a detailed rationale for the proposed disposal are more fully described in the circular to shareholders. It will also enable us to concentrate on and fund the growth opportunities in Protection and Engineered Products.

PENSIONS

The deficit on our UK defined benefit pension scheme (closed to new entrants) has reduced on an IAS19 basis (similar valuation to FRS17) from £15.2m at 30 September 2005 to £1.7m at 31 March 2006. The reduced deficit derives primarily from an improvement in the equity markets only partially offset by a lower discount rate. This shows the volatility of the deficit of a fund of our size (assets at 31 March 2006 of £257.9m). The valuation assumptions will be reassessed in a new triennial valuation to be prepared as at 1 April 2006 which adds to the uncertainty and, in particular updated mortality assumptions may have a negative effect on the scheme's position.

Interim Statement
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FINANCING AND CAPITAL STRUCTURE

The net debt of £56.5m results in a gearing level of 134%. The net consideration from the disposal of approximately £52.1m is required by the Group's lending banks, in the event of a disposal of this nature, to be applied in the first instance to reduce indebtedness resulting from, in part, previous investments and acquisitions in respiratory protection.

The disposal of the Automotive business represents an opportunity to review the appropriate capital structure for the continuing group. The appropriate capital structure will need to be determined by the Board having balanced a number of important factors, including perceived growth/acquisition opportunities (most notably in respiratory protection), product development programmes, restructuring plans, on-going pension obligations and distribution policy. The Board intends to update shareholders on this review at the time of the Group's preliminary results.

DIVIDEND

The Board announces an unchanged interim dividend of 3.7p per share payable on 3 July 2006 to holders of ordinary shares on the register at noon on 9 June.

OUTLOOK

The planned disposal of our Automotive business signals a significant strategic change for the Group allowing us to focus on the high growth potential we have identified for our respiratory protection products. We shall continue to develop our strong market positions in dairy, aerosol gaskets and engineered fabrications. This combination of established businesses and growth opportunities provides a balanced portfolio of business activities for the future.

We are targeting respiratory protection as our major growth area, particularly related in the short-term to the new US military respirator and associated filters and an escape hood which provides emergency protection from chemical, biological, radiological and nuclear threats. Longer-term we have an exciting range of new products being developed and will explore appropriate acquisitions to enhance our technologies.

Our recent acquisition, ISI, together with the North American dairy business and the engineered fabrications business in Mississippi are operating in line with our expectations and delivering consistent levels of earnings. We are taking steps to improve the performance of our continuing UK operations. The expected growth from respiratory protection will build on this foundation.

The Board is excited about the opportunity to pursue its planned strategic direction and is confident of the future opportunities for growth of the continuing businesses as this strategy is implemented.

Independent review report to Avon Rubber p.l.c

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 31 March 2006 which comprises a consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet information as at 31 March 2006, consolidated cash flow statement, and associated notes.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with those accounting standards adopted for use by the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS and IFRIC interpretations that will be applicable and adopted for use in the European Union at 30 September 2006, are not known with certainty at the time of preparing this interim financial information.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2006.

Notes:

(a) The maintenance and integrity of the Avon Rubber p.l.c web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
Bristol
18 May 2006

Consolidated Income Statement

	Note	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Continuing operations				
Revenue	2	**36,929**	24,514	53,344
Operating profit/(loss) from continuing operations	2	**114**	(1,074)	(4,042)
Operating profit/(loss) is analysed as:				
Before exceptional items		**114**	(902)	(2,618)
Reorganisation costs		**-**	(172)	(1,424)
Interest receivable		**100**	112	193
Interest payable		**(1,901)**	(1,179)	(2,670)
Other finance income		**1,260**	504	1,010
Loss before tax		**(427)**	(1,637)	(5,509)
Taxation	3	**196**	(614)	(1,116)
Loss for the period from continuing operations		**(231)**	(2,251)	(6,625)
Discontinued operations				
(Loss)/profit for the period from discontinued operations	4	**(15,646)**	1,073	1,579
Loss for the period		**(15,877)**	(1,178)	(5,046)
Profit attributable to minority interest		**107**	54	115
Loss attributable to equity shareholders		**(15,984)**	(1,232)	(5,161)
		(15,877)	(1,178)	(5,046)
(Loss) per share expressed in pence per share	6			
Basic		**(58.3)**	(4.6)	(19.1)
Diluted		**(58.3)**	(4.6)	(19.1)
(Loss) per share from continuing operations				
Basic		**(1.2)**	(8.7)	(25.0)
Diluted		**(1.2)**	(8.7)	(25.0)

Consolidated Statement of Recognised Income and Expense

	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Loss for the period	**(15,877)**	(1,178)	(5,046)
Actuarial gain recognised in retirement benefit scheme	**11,029**	6,633	3,974
Movement on deferred tax relating to retirement benefit liabilities	**-**	(1,990)	(6,275)
Net exchange differences offset in reserves	**372**	606	606
Net gains/(losses) not recognised in income statement	**11,401**	5,249	(1,695)
Total recognised income/(expense) for the period	**(4,476)**	4,071	(6,741)
Attributable to:			
Equity shareholders	**(4,583)**	4,017	(6,856)
Minority interest	**107**	54	115
Total recognised income/(expense) for the period	**(4,476)**	4,071	(6,741)
Adoption of IAS 39 attributable to:			
Equity shareholders	**(12)**	-	-
Minority interest	**-**	-	-
	(12)	-	-

Consolidated Balance Sheet

	Note	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Assets				
Non-current assets				
Goodwill		6,338	10,168	16,123
Intangible assets		10,456	7,777	14,173
Property, plant and equipment		31,613	69,857	71,294
Investments accounted for using equity method		-	74	146
Trade and other receivables		597	790	604
Deferred tax assets		2,620	8,594	3,208
		51,624	97,260	105,548
Current assets				
Inventories		9,072	23,541	24,004
Trade and other receivables		16,492	47,935	51,227
Financial assets - derivative financial instruments		-	-	24
Cash and cash equivalents		7,808	12,959	8,919
		33,372	84,435	84,174
Assets classified as held for sale		93,182	-	-
		126,554	84,435	84,174
Liabilities				
Current liabilities				
Financial liabilities - borrowings		44,027	21,362	35,884
- derivative financial instruments		26	-	-
Trade and other payables		12,935	48,182	47,270
Current tax liabilities		3,008	402	1,153
		59,996	69,946	84,307
Liabilities directly associated with assets classified as held for sale		45,149	-	-
		105,145	69,946	84,307
Net current assets/(liabilities)		21,409	14,489	(133)
Non-current liabilities				
Financial liabilities - borrowings		20,246	27,515	24,754
Deferred tax liabilities		1,682	-	3,116
Other non-current liabilities		1,153	241	1,155
Retirement benefit obligations		4,952	23,004	23,076
Provisions		2,879	1,950	5,615
		30,912	52,710	57,716
Net assets		42,121	59,039	47,699
Shareholders' equity				
Ordinary shares		28,127	27,824	28,121
Share premium account		34,072	34,070	34,070
Revaluation reserve		1,751	2,213	1,751
Capital redemption reserve		500	500	500
Translation reserve		978	606	606
Profit and loss account		(24,187)	(6,878)	(18,114)
Equity shareholders' funds	7	41,241	58,335	46,934
Minority interests (equity interests)		880	704	765
Total equity		42,121	59,039	47,699

Consolidated Cash Flow Statement

	Note	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Cash flows from operating activities				
Cash generated from operations	8	**6,328**	(199)	8,613
Interest received		**100**	112	234
Interest paid		**(1,382)**	(1,101)	(2,568)
Tax received/(paid)		**348**	(1,293)	(2,062)
Net cash from operating activities		**5,394**	(2,481)	4,217
Cash flows from investing activities				
Acquisition of subsidiaries (net of cash acquired)		**-**	-	(11,395)
Proceeds from sale of property, plant and equipment		**38**	690	988
Purchase of property, plant and equipment		**(4,737)**	(2,947)	(8,060)
Capitalised development costs		**(3,641)**	(1,066)	(4,774)
Net cash from investing activities		**(8,340)**	(3,323)	(23,241)
Cash flows from financing activities				
Net proceeds from issues of ordinary share capital		**8**	-	297
Net movements in loans and finance leases		**1,903**	10,718	20,058
Decrease/(increase) in derivatives		**50**	-	(12)
Dividends paid to shareholders		**(1,316)**	(1,268)	(2,293)
Net cash used in financing activities		**645**	9,450	18,050
Effects of exchange rate changes		**15**	(69)	68
Net (decrease)/increase in cash and cash equivalents		**(2,286)**	3,577	(906)
Cash and cash equivalents at beginning of the period		**7,702**	8,608	8,608
Cash and cash equivalents at end of the period	9	**5,416**	12,185	7,702

Notes to the Interim Financial Statements

1 BASIS OF PREPARATION

These interim financial statements are the first interim financial statements following the adoption of International Financial Reporting Standards (IFRS). As the Group has not previously published a full set of financial statements under IFRS the content of these statements has been expanded to include summarised reconciliations to those previously reported under UK GAAP for the six months ended 31 March 2005 and the year ended 30 September 2005 (note 10). Additional statements regarding the transition, together with the new Group accounting policies under IFRS can be found on the home page of Avon Rubber p.l.c.'s website at www.avon-rubber.com under the heading "Corporate Information: Press Releases".

The financial information has been prepared in accordance with all International Financial Reporting Standards and IFRS interpretations that had been published by 31 March 2006 and apply to accounting periods beginning on or after 1 January 2005. The standards used are those endorsed by the EU together with those standards and interpretations that have been issued by the IASB (International Accounting Standards Board) but had not been endorsed by the EU by 31 March 2006. The 2005 comparative information has, as permitted by the exemption in IFRS 1, not been prepared in accordance with IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and measurement".

At this stage in the development of IFRS, matters such as the interpretation and application surrounding it are continuing to evolve. In addition, IFRS currently in issue and endorsed by the EU are subject to interpretation by IFRIC (International Financial Reporting Interpretations Committee) and further standards may be issued by the IASB that will be endorsed by September 2006.

Accordingly, the accounting policies for 2006 will only finally be determined when the annual financial statements are prepared for the year ending 30 September 2006. These uncertainties could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document.

This interim report is unaudited and does not constitute audited financial statements within the meaning of the Companies Act 1985. The financial statements for the year ended 30 September 2005, on which the auditors gave an unqualified audit opinion, were not prepared in accordance with International Financial Reporting Standards and IFRIC interpretations but have been filed with the Registrar of Companies.

2 SEGMENTAL INFORMATION

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

	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Revenue by business sector			
Protection & Engineered Products	**36,929**	24,514	53,344
Automotive Components (discontinued operation)	**96,702**	90,372	186,391
	133,631	114,886	239,735

2 SEGMENTAL INFORMATION - (continued)

	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Operating profit by business sector			
Protection & Engineered Products	**114**	(902)	(2,618)
Automotive Components (discontinued operation)	**4,043**	3,235	8,801
	4,157	2,333	6,183
Exceptional operating expenses			
Protection & Engineered Products	**-**	(172)	(1,424)
Automotive Components (discontinued operation)	**-**	(1,760)	(6,734)
	4,157	401	(1,975)
Revenue by origin			
Europe	**66,947**	66,001	135,085
North America	**66,684**	48,885	104,650
	133,631	114,886	239,735
Operating profit by origin			
Europe	**(460)**	(534)	(978)
North America	**4,617**	2,867	7,161
	4,157	2,333	6,183
Exceptional operating expenses			
Europe	**-**	(1,932)	(7,393)
North America	**-**	-	(765)
	4,157	401	(1,975)

The operating profit numbers in the above tables reflect the decision to dispose of the Automotive Components division and therefore do not include any allocation of central costs which were previously allocated between the two primary segments. The table below shows how operating profits would have been analysed using the previous basis.

	Half year to 31 March 06 £'000	Half year to 31 March 05 £'000	Year to 30 Sept 05 £'000
Operating profit by business sector			
Protection & Engineered Products	**2,006**	796	726
Automotive Components (discontinued operation)	**2,151**	1,537	5,457
	4,157	2,333	6,183
Exceptional operating expenses			
Protection & Engineered Products	**-**	(172)	(1,424)
Automotive Components (discontinued operation)	**-**	(1,760)	(6,734)
	4,157	401	(1,975)

Notes to the Interim Financial Statements continued

3 TAXATION

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

	Half year to 31 March 06 Continuing £'000	Half Year to 31 March 06 Discontinued £'000	Half year to 31 March 06 Total £'000	Half Year to 31 March 05 Total £'000
United Kingdom	-	-	-	(189)
Overseas	(196)	1,856	1,660	1,207
	(196)	1,856	1,660	1,018

The tax charge relating to the sale of operations is £1,944,000 (2005: nil)

4 SALE OF OPERATIONS

On 22 May 2006, the Group announced the proposed sale of its Automotive Components division for a consideration of £53,977,000. The consideration is expected to be received in June 2006.

Results from discontinued operations	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Revenue	96,702	90,372	186,391
Operating profit from discontinued operations	4,043	1,475	2,067
Operating profit/(loss) is analysed as:			
Before exceptional items	4,043	3,235	8,801
Reorganisation costs	-	(1,760)	(6,734)
Share of post tax profits of joint venture	-	2	78
Taxation on profits from discontinued operations	(1,856)	(404)	(566)
Loss on disposal	(17,833)	-	-
(Loss)/profit for the year from discontinued operations	(15,646)	1,073	1,579

The loss on disposal has been calculated as follows:

Proceeds from sale	53,977
Costs associated with sale	(4,000)
	49,977
Taxation on disposal	(1,944)
Net proceeds from sale	48,033
Net assets disposed of pre impairment	(64,866)
	(16,833)
Other provisions	(1,000)
Loss on disposal after tax	(17,833)
Net assets disposed of pre impairment	64,866
Impairment	(16,833)
Net assets shown in balance sheet	48,033

5 DIVIDENDS

The directors are proposing an interim dividend in respect of the half year ending 31 March 2006 of 3.7p which will absorb an estimated £1,040,000 of shareholders' funds. The dividend will be paid on 3 July 2006 to shareholders on the register at noon on 9 June 2006.

In accordance with IFRS the interim 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 £15,984,000 (2005: £1,232,000) and 27,406,000 (2005: 26,617,000) ordinary shares, being the weighted average of the shares in issue during the period.

Loss per share on continuing operations is based on a loss of £338,000 (2005: £2,305,000).

Loss per share on discontinued operations is 57.1p (2005: earnings: 4.0p) and is based on a loss of £15,646,000 (2005: £1,073,000 profit).

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 SHAREHOLDERS' FUNDS AND STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
At the beginning of the period	**46,934**	55,405	55,405
Loss for the period attributable to equity shareholders	**(15,984)**	(1,232)	(5,161)
Dividends	**(1,315)**	(1,268)	(2,294)
Actuarial gain recognised in retirement benefit schemes	**11,029**	6,633	3,974
Movement on deferred tax relating to retirement benefit liabilities	**-**	(1,990)	(6,275)
Net exchange differences offset in reserves	**372**	606	606
New share capital subscribed	**8**	-	297
Movement in respect of employee share scheme	**197**	181	382
At the end of the period	**41,241**	58,335	46,934

Notes to the Interim Financial Statements continued

8 CASH GENERATED FROM OPERATIONS

	Half year to 31 March 06 (unaudited) £'000	Half year to 31 March 05 (unaudited and restated) £'000	Year to 30 Sept 05 (unaudited and restated) £'000
Continuing operations			
Loss for the financial period	**(231)**	(1,762)	(5,939)
Adjustments for:			
Tax	**(196)**	125	430
Depreciation	**1,456**	1,665	2,730
Amortisation and impairment of intangibles	**462**	25	215
Net interest expense	**1,801**	1,067	2,477
Other finance income	**(1,260)**	(504)	(1,010)
Movements in working capital and provisions	**(1,049)**	(1,600)	(3,640)
Other movements	**730**	100	343
Cash generated from continuing operations	**1,713**	(884)	(4,394)
Discontinued operations			
(Loss)/profit for the financial period	**(15,646)**	584	893
Adjustments for:			
Tax	**1,856**	893	1,252
Depreciation	**2,809**	3,082	5,521
Amortisation and impairment of intangibles	**744**	906	2,288
Movements in working capital and provisions	**14,828**	(4,730)	3,153
Other movements	**24**	(50)	(100)
Cash generated from discontinued operations	**4,615**	685	13,007
Cash generated from operations	**6,328**	(199)	8,613

9 ANALYSIS OF NET DEBT

	As at 30 Sep 05 £'000	Cash flow £'000	Amortisation of loan issue costs £'000	Exchange movements £'000	As at 31 Mar 06 £'000
Cash at bank and in hand	3,902	568	-	53	**4,523**
Overdrafts	(1,217)	(1,137)	-	(38)	**(2,392)**
Current asset investments classified as cash equivalents	5,017	(1,732)	-	-	**3,285**
Cash and cash equivalents	7,702	(2,301)	-	15	**5,416**
Debt due after 1 year	(24,754)	4,734	-	(226)	**(20,246)**
Debt due within 1 year	(34,665)	(6,639)	(30)	(301)	**(41,635)**
Finance leases	(2)	2	-	-	**-**
	(51,719)	(4,204)	(30)	(512)	**(56,465)**

10 RECONCILIATION OF OPERATING PROFIT/(LOSS) & EQUITY SHAREHOLDERS' FUNDS UNDER UK GAAP TO IFRS

Avon Rubber p.l.c. reported under UK GAAP in its previously published financial statements for the half year ended 31 March 2005 and the year ended 30 September 2005. The analysis below shows a reconciliation of operating profit/(loss) and equity shareholders' funds as reported under UK GAAP as at 31 March 2005 and 30 September 2005 to the revised operating profit/(loss) and equity shareholders' funds under IFRS as reported in these financial statements.

	Note	Half year to 31 March 05 £'000	Year to 30 Sept 05 £'000
Reconciliation of total operating profit/(loss)			
As per UK GAAP		772	(1,325)
2005 development costs now capitalised	d	277	643
Amortisation and impairment of development costs and other intangibles	d	(323)	(1,244)
Goodwill amortisation	a	348	802
Share options	b	(802)	(1,002)
Reduced depreciation on revalued assets	c	131	262
Share of profits of joint venture		(2)	(111)
As per IFRS (note 2)		401	(1,975)
Reconciliation of equity shareholders' funds			
As per UK GAAP		66,987	55,578
Development costs and other intangibles	d	2,179	1,625
Goodwill amortisation	a	348	802
2005 dividend proposed not yet paid	e	1,003	1,315
Revaluation of fixed assets	c	(11,780)	(11,649)
Deferred tax adjustment	j	(402)	(737)
As per IFRS		58,335	46,934

Reconciliation of equity at 1 October 2004

	Note	UK GAAP Reformatted £'000	IFRS Reclassifications £'000	IFRS Adjustments £'000	IFRS Restated £'000
Assets					
Non-current assets					
Goodwill		10,144	-	-	10,144
Intangible assets	d	4,451	809	2,226	7,486
Property, plant and equipment	c	85,330	(809)	(11,911)	72,610
Investments accounted for using equity method		68	-	-	68
Trade and other receivables		617	-	-	617
Deferred tax assets	f,g	795	8,489	-	9,284
		101,405	8,489	(9,685)	100,209
Current assets					
Inventories		20,983	-	-	20,983
Trade and other receivables		43,342	-	-	43,342
Financial assets - derivative financial instruments	k	-	12	-	12
Cash and cash equivalents		9,885	-	-	9,885
		74,210	12	-	74,222
Liabilities					
Current liabilities					
Financial liabilities- borrowings		24,641	-	-	24,641
Trade and other payables	e	45,274	12	(1,268)	44,018
Current tax liabilities		2,019	-	-	2,019
		71,934	12	(1,268)	70,678
Net current assets		2,276	-	1,268	3,544
Non-current liabilities					
Financial liabilities - borrowings		14,931	-	-	14,931
Deferred tax liabilities	j	1,500	-	(71)	1,429
Other non-current liabilities		401	-	-	401
Retirement benefit obligations	f,g	19,654	8,489	-	28,143
Provisions		2,794	-	-	2,794
		39,280	8,489	(71)	47,698
Net assets		64,401	-	(8,346)	56,055
Shareholders' equity					
Ordinary shares		27,824	-	-	27,824
Share premium account		34,070	-	-	34,070
Revaluation reserve		2,213	-	-	2,213
Capital redemption reserve		500	-	-	500
Profit and loss account		(856)	-	(8,346)	(9,202)
Equity shareholders' funds		63,751	-	(8,346)	55,405
Minority interests (equity interests)		650			650
Total equity		64,401	-	(8,346)	56,055

Reconciliation of equity at 31 March 2005

	Note	UK GAAP Reformatted £'000	IFRS Reclassifications £'000	IFRS Adjustments £'000	IFRS Restated £'000
Assets					
Non-current assets					
Goodwill	a	9,820	-	348	10,168
Intangible assets	d	4,798	800	2,179	7,777
Property, plant and equipment	c	82,437	(800)	(11,780)	69,857
Investments accounted for using equity method		74	-	-	74
Trade and other receivables		790	-	-	790
Deferred tax assets	f,g	-	8,594	-	8,594
		97,919	8,594	(9,253)	97,260
Current assets					
Inventories		23,541	-	-	23,541
Trade and other receivables		47,935	-	-	47,935
Cash and cash equivalents		12,959	-	-	12,959
		84,435	-	-	84,435
Liabilities					
Current liabilities					
Financial liabilities - borrowings		21,362	-	-	21,362
Trade and other payables	e	49,185	-	(1,003)	48,182
Current tax liabilities		-	-	402	402
		70,547	-	(601)	69,946
Net current assets		73,888	-	601	14,489
Non-current liabilities					
Financial liabilities - borrowings		27,515	-	-	27,515
Other non-current liabilities		241	-	-	241
Retirement benefit obligations	f,g	14,410	8,594	-	23,004
Provisions		1,950	-	-	1,950
		44,116	8,594	-	52,710
Net assets		67,691	-	(8,652)	59,039
Shareholders' equity					
Ordinary shares		27,824	-	-	27,824
Share premium account		34,070	-	-	34,070
Revaluation reserve		2,213	-	-	2,213
Capital redemption reserve		500	-	-	500
Translation reserve		606	-	-	606
Profit and loss account		1,774	-	(8,652)	(6,878)
Equity shareholders' funds		66,987	-	(8,652)	58,335
Minority interests (equity interests)		704			704
Total equity		67,691	-	(8,652)	59,039

Reconciliation of equity at 30 September 2005

	Note	UK GAAP Reformatted £'000	IFRS Reclassifications £'000	IFRS Adjustments £'000	IFRS Restated £'000
Assets					
Non-current assets					
Goodwill	a	18,299	-	(2,058)	16,241
Intangible assets	d	7,416	772	5,985	14,173
Property, plant and equipment	c	83,715	(772)	(11,649)	71,294
Investments accounted for using equity method		146	-	-	146
Trade and other receivables		604	-	-	604
Deferred tax assets	f,g	788	2,420	-	3,208
		110,968	2,420	(7,722)	105,666
Current assets					
Inventories		24,004	-	-	24,004
Trade and other receivables		51,251	(24)	-	51,227
Financial assets - derivative financial instruments	k		24	-	24
Cash and cash equivalents		8,919	-	-	8,919
		84,174	-	-	84,174
Liabilities					
Current liabilities					
Financial liabilities - borrowings		35,884	-	-	35,884
Trade and other payables	e	48,585	-	(1,315)	47,270
Current tax liabilities		1,153	-	-	1,153
		85,622	-	(1,315)	84,307
Net current assets/(liabilities)		(1,448)	-	1,315	(133)
Non-current liabilities					
Financial liabilities - borrowings		24,754	-	-	24,754
Deferred tax liabilities	j	997	-	2,237	3,234
Other non-current liabilities		1,155	-	-	1,155
Retirement benefit obligations	f,g	20,656	2,420	-	23,076
Provisions		5,615	-	-	5,615
		53,177	2,420	2,237	57,834
Net assets		56,343	-	(8,644)	47,699
Shareholders' equity					
Ordinary shares		28,121	-	-	28,121
Share premium account		34,070	-	-	34,070
Revaluation reserve		1,751	-	-	1,751
Capital redemption reserve		500	-	-	500
Translation reserve		606	-	-	606
Profit and loss account		(9,470)	-	(8,644)	(18,114)
Equity shareholders' funds		55,578	-	(8,644)	46,934
Minority interests (equity interests)		765			765
Total equity		56,343	-	(8,644)	47,699

Notes to the Interim Financial Statements continued

Explanation of key IFRS adjustments

a) Under UK GAAP, goodwill on businesses acquired by the Group on or after 3 October 1998 is capitalised and amortised on a straight line basis over its useful economic life. Under IFRS, from 1 October 2004 onwards, goodwill will no longer be amortised, but will instead be subject to annual impairment reviews. All goodwill was tested for impairment at the transition date with no adjustment necessary on transition from UK GAAP to IFRS. Where goodwill is deductible for tax purposes in the relevant jurisdiction, a temporary difference arises and consequently a related deferred tax liability has been recognised under IFRS.

b) Under UK GAAP, Avon Rubber p.l.c. recognises as an expense the intrinsic value at the date of the award, of options granted under the Performance Share Plan 2002 accrued over the vesting period to the extent that they are projected to vest. No expense is recognised for sharesave option schemes for which UK GAAP permits an exemption. Under IFRS the cost of all share-based payments, based on the fair values of the options or shares at the date of grant and calculated using an appropriate model, is recognised over the vesting period of the award. The Group has used the Black-Scholes model to value equity instruments. Under IFRS 2, a deferred tax asset is calculated in respect of future anticipated tax relief under Schedule 23 FA 2003. Due to the deferred tax position of the group, this deferred tax asset has not been recognised in the IFRS accounts.

c) Under the options available under IFRS 1 the company has chosen to measure its United Kingdom freehold properties on a fair value basis and adopt this valuation as deemed cost as at the date of transition, 1 October 2004. This valuation was undertaken by DTZ Debenham Tie Leung Limited. This has also resulted in a lower depreciation charge. The change in valuation has led to an increase in the deferred tax asset, both in 2004 and 2005. Due to the deferred tax position of the group, this increased asset has been recognised in part in 2004, but the entry reversed in the 2005 profit and loss account so that no further deferred tax asset is recognised in the 2005 balance sheet.

d) Under IAS 38 "Intangible Assets", the company is required to capitalise the cost of developments which meet certain recognition criteria, including the technical feasibility of, and probable future economic benefit arising from, the project. This expenditure is then amortised over the anticipated future life of the economic benefits arising and is subject to ongoing impairment reviews. Whereas SSAP13 permits an entity either to recognise development expenditure that meets the conditions for recognition as an asset or to write it off to the profit and loss account, IAS 38 does not permit a choice. If the development expenditure meets the recognition criteria it must be capitalised. As the development costs have historically been treated as a deductible, current year expense for tax purposes in the relevant jurisdictions, a temporary difference arises and a deferred tax liability is created under IFRS.

e) Under UK GAAP dividends relating to an accounting period but declared after the balance sheet date were recognised as a liability even if the approval of that dividend took place after the balance sheet date. Under IFRS, proposed dividends do not meet the definition of a liability until such time as they have been declared, and in the case of the final dividend, approved by shareholders at the Annual General Meeting.

f) Under UK GAAP the company had already adopted FRS 17 "Retirement Benefits". Under FRS 17, scheme assets are measured using market values while liabilities are measured using the projected unit method. The operating and financing costs of defined benefit pension schemes are recognised in the profit and loss account as operating costs and finance costs respectively. Variations from expected costs arising from the experience of the plans to changes in actuarial assumptions are recognised immediately in the Statement of Total Recognised Gains and Losses.

g) The change to IAS 19 "Employee Benefits" does not give rise to any significant change in the basis of accounting for pensions, as Avon Rubber p.l.c. will adopt the option allowed under IAS 19 to take actuarial gains and losses immediately and directly to equity through the Statement of Recognised Income and Expense. Changes are largely confined to presentation, in that retirement benefit scheme surpluses and deficits must be aggregated separately on the face of the balance sheet and shown gross, rather than net, of deferred taxation.

h) Under IFRS 3, the UK GAAP goodwill arising on the ISI acquisition has been analysed into further intangible assets, namely patents and distribution network. Under IAS 12, no initial recognition exemption is available in respect of these intangible assets as they arise as a result of a business combination. Deferred tax is therefore provided on these intangible assets. Goodwill is then adjusted by the amount of deferred tax so that the total acquisition cost remains unchanged, and there is therefore no impact on the 2005 profit and loss account.

i) Under UK GAAP computer software costs were capitalised and included within tangible assets. Under IAS 38 computer software costs are now classified as intangible assets.

j) Other than the adjustments to deferred taxation arising from the IFRS adjustments described in paragraphs a – i above, there are no significant adjustments to either current or deferred tax resulting from the change from UK GAAP to IAS 12.

k) It has been the practice of the Group to manage its exposures to movements in currency exchange rates and interest rates by use of derivative contracts, namely forward currency contracts. Under IFRS such contracts must be recognised as assets and liabilities on the balance sheet measured at fair value, which is in contrast to UK GAAP accounting. However, as the Group has decided not to hedge account for its derivative financial instruments as permitted under IAS 39, they are accounted for through the income statement.

11 SHAREHOLDER COMMUNICATION

Copies of this announcement are being sent to shareholders. Copies are also available from the company's registered office at Hampton Park West, Semington Road, Melksham, Wiltshire. SN12 6NB, England. (Telephone +44 1225 896800), or via the corporate website (www.avon-rubber.com).