

AVON INDUSTRIAL POLYMERS LIMITED

DIRECTORS' REPORT

Directors: Peter C Slabbert (Chairman)
Andrew G Lewis
Miles Ingreyc-Counter

Secretary: Miles Ingreyc-Counter
Registered Office: Hampton Park West
Semington Road
Melksham
Wiltshire
SN12 6NB

The directors present the annual report and audited financial statements of the company for the year ended 30 September 2008.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an investment company. During 2008 the company acquired the investment in Nova Insurance Limited from Avon Rubber Overseas Limited at a value equating to the net book value of Nova Insurance Limited. Avon Rubber Overseas Limited is a fellow subsidiary of Avon Rubber p.l.c.

The value of the investment in Nova Insurance Limited was written down by £2,396,035 to reflect the net book value of Nova Insurance Limited as at 30 September 2008.

Interim dividends of £5,000 per ordinary share, amounting to £2,500,000 were paid during the year (2007: nil).

2. DIRECTORS

Mr Stead resigned from the board and Mr Lewis was appointed to the board on 8 September 2008.

None of the directors had a beneficial interest in the shares of the company.

The beneficial interests of Mr Peter Slabbert and Mr Andrew Lewis in the shares and share options of the ultimate holding company, Avon Rubber p.l.c., are disclosed in the financial statements of that company.

None of the remaining directors had beneficial interests in the ordinary shares of the ultimate holding company, Avon Rubber p.l.c.

Under the Performance Share Plan 2002, a description of which is given in the Reports and Accounts of the ultimate controlling party Avon Rubber p.l.c., the following options were granted: -

	Granted 2006/7 (for the qualifying period ending 30 Sep 2009)	Granted 2007/8 (for the qualifying period ending 30 Sep 2010)	Lapsed in year	Total option awards outstanding at 30 Sep 2008
M Ingreyc-Counter	7,792	16,939	-	24,731



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3. AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

4. AUDITORS

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



By order of the board

M Ingrey-Counter,
Company Secretary
Melksham, Wiltshire

9 January 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2008 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By order of the board

M Ingrey-Counter,
Company Secretary
Melksham, Wiltshire

9 January 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON INDUSTRIAL POLYMERS LIMITED

We have audited the financial statements of Avon Industrial Polymers Limited for the year ended 30 September 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

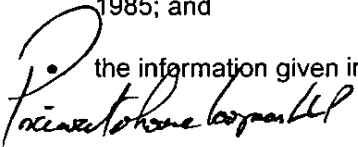
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

9 January 2009

AVON INDUSTRIAL POLYMERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008	2007
	£	£
Income from interests in subsidiary undertakings	2,500,000	-
Write down of investment in subsidiary undertaking	(2,396,035)	-
Profit on ordinary activities before taxation	103,965	-
Dividend	(2,500,000)	-
Loss for the year	(2,396,035)	-

The company has no recognised gains or losses other than the profit on ordinary activities before taxation shown above.

All of the company's profit was generated from continuing activities.

There is no difference between the profit on ordinary activities before taxation as stated above and that calculated on an historical cost basis.

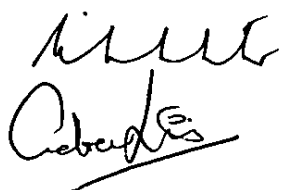
AVON INDUSTRIAL POLYMERS LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	2008 £	2007 £
FIXED ASSETS		
Investments (note 3)	1,334,760	-
CURRENT ASSETS		
Debtors (note 4)	500	500
Creditors – Amounts falling due within one year (note 5)	<u>(3,730,795)</u>	<u>-</u>
NET CURRENT (LIABILITIES)/ASSETS	(3,730,295)	500
NET (LIABILITIES)/ASSETS	<u>(2,395,535)</u>	<u>500</u>
CAPITAL AND RESERVES		
Share capital (note 6)	500	500
Profit and loss account (note 7)	(2,396,035)	-
EQUITY SHAREHOLDERS' FUNDS (note 8)	<u>(2,395,535)</u>	<u>500</u>

These financial statements were approved by the board of directors on 9 January 2009 and were signed on its behalf by:

 } Directors



AVON INDUSTRIAL POLYMERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared, on a going concern basis and in accordance with the Companies Act 1985, as amended, and with all applicable Accounting Standards in the United Kingdom under the historical cost convention. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The going concern basis of preparation is considered to be appropriate as Avon Rubber p.l.c. have confirmed that it will continue to provide financial support, from its existing banking facilities, for the foreseeable future to ensure the ongoing viability of the company is not prejudiced.

Cash Flow Statement

The company's cash flows are included in the consolidated financial statements of its ultimate controlling company, Avon Rubber p.l.c. The company has therefore taken advantage of the exemption conferred by FRS1 (revised) and has not presented a cash flow statement. Copies of the consolidated accounts of Avon Rubber plc can be obtained from the address disclosed in note 10.

Exchange Rates

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.

Fixed Asset Investments

Fixed asset investments are stated at cost less amounts written off to reflect any permanent diminution in value.

Impairment of Fixed Assets Investments

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the fixed asset investments 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 investment is written down accordingly.

2. EMPLOYEES

The company does not have any employees (2007: nil). The directors are employed by the ultimate parent company Avon Rubber p.l.c.

Directors' Remuneration

There were no directors' emoluments paid by the company (2007: Nil). The services of the directors to the company are of a non executive nature and their emoluments are deemed to be wholly attributable to their services to the company paying their emoluments.

3. INVESTMENTS

	£
At 1 October 2007	-
Investment acquired during the year	3,730,795
Write down of investment	(2,396,035)
At 30 September 2008	<u>1,334,760</u>

During 2008 the company acquired its investment in Nova Insurance Limited from Avon Rubber Overseas Limited at a value equating to the net book value of Nova Insurance Limited. Avon Rubber Overseas Limited is a fellow subsidiary of Avon Rubber p.l.c.

The value of the investment in Nova Insurance Limited was written down by £2,396,035 to reflect the net book value of Nova Insurance Limited as at 30 September 2008.

Group Undertakings

Name	Percentage of Shareholding	Country of Incorporation or Registration
Nova Insurance Limited	100%	Guernsey

Nova Insurance Limited is an insurance company, which operates mainly in its country of incorporation. In the opinion of the directors, the value of the company's investment in its subsidiary is not less than that stated in the balance sheet.

4. DEBTORS

	2008 £	2007 £
Amounts falling due within one year		
Amount owed by parent company	<u>500</u>	<u>500</u>

5. CREDITORS

	2008 £	2007 £
Amounts falling due within one year:		
Amount owed to fellow group undertaking	<u>3,730,795</u>	<u>-</u>

6. SHARE CAPITAL

	2008 £	2007 £
Authorised:		
2,000 ordinary shares of £1 each (2007: 2,000)	2,000	2,000
Allotted, called up and fully paid		
500 ordinary shares of £1 each (2007: 500)	<u>500</u>	<u>500</u>

7. RESERVES

	Profit and Loss Account £
Balance at 30 September 2007	-
Loss for the year	(2,396,035)
Balance at 30 September 2008	<u>(2,396,035)</u>

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
At the beginning of the year	500	500
Loss for the year	<u>(2,396,035)</u>	-
At the end of the year	<u>(2,395,535)</u>	<u>500</u>

9. RELATED PARTIES

The company has taken advantage of the dispensation permitted under FRS8, Related Party Transactions, not to disclose transactions or balances with other group companies as it is a wholly owned member of the Avon Rubber p.l.c. group of companies. Copies of the consolidated accounts of Avon Rubber plc can be obtained from the address disclosed in note 10.

10. ULTIMATE CONTROLLING PARTY

The immediate and ultimate controlling party is Avon Rubber p.l.c., incorporated in Great Britain and registered in England and Wales, by virtue of its 100% interest in the equity share capital of the company. Copies of the consolidated financial statements may be obtained by contacting Fiona Stewart, Corporate Communications Executive, Avon Rubber plc, Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB or by visiting <http://avon-rubber.com/corporate/calendar.htm>

The audit fees for the company are borne by the ultimate parent, Avon Rubber plc.