



ANNUAL
REPORT

2015

AVON
Avon Rubber p.l.c.

AN INTRODUCTION TO AVON RUBBER p.l.c.

The Group has transformed itself over recent years into an innovative design and engineering group specialising in two core markets, Protection & Defence and Dairy. With a strong emphasis on research and development we design, test and manufacture specialist products from a number of sites in the US and Europe, serving markets around the world. We achieve this through nurturing the talent and aspirations of our employees to realise their highest potential.

Avon Protection Systems is the recognised global market leader in advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection systems for the world's military, homeland security, first responder, fire and industrial markets.

With an unrivalled pedigree in mask design dating back to the 1920s, Avon Protection's advanced products are the first choice for Personal Protective Equipment (PPE) users worldwide and are placed at the heart of many international defence and tactical PPE deployment strategies. Our expanding global customer base now includes military forces, civil and first line defence troops, emergency service teams and industrial, marine, mineral and oil extraction site personnel. All put their trust in Avon's advanced respiratory solutions to shield them from every possible threat whether land, air or sea based.

Our world-leading Dairy supplies business and its Milkrite and InterPuls brands have a global market presence. With a long history of manufacturing liners and tubing for the dairy industry, we have become the leading innovator and designer for products and services right at the heart of milking. The acquisition of InterPuls in 2015, a milking components specialist in electro-mechanical components, such as pulsators, milk meters, automatic cluster removers, milking clusters, washing systems, vacuum pumps, bucket milkers and pipeline system components has added significantly to our product range, making us the complete milking point solution provider.

Working with leading scientists and health specialists in the global dairy industry we continue to invest in technology to further improve the milking process and animal welfare. Our products provide exceptional results for both the animal and the milker, making the milk extraction process more efficient. As our market share and milking experience continue to improve, so does our global presence.

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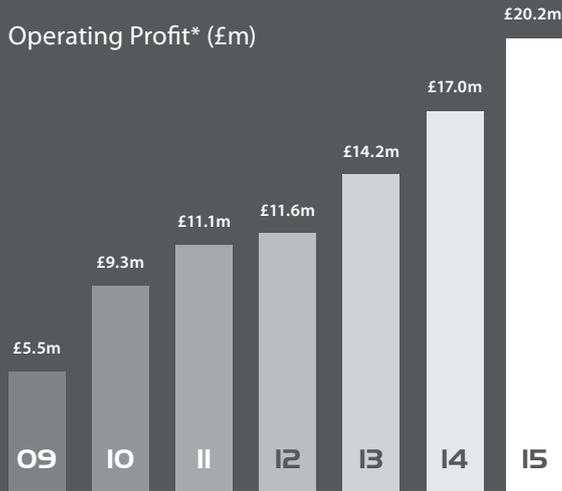
SHAREHOLDER INFORMATION

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GROUP

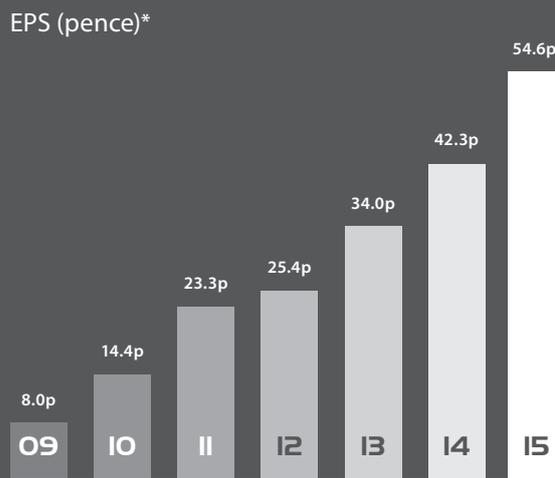
Revenue
£134.3m ↑ £9.5m

Operating Profit*
£20.2m ↑ £3.2m



GROUP

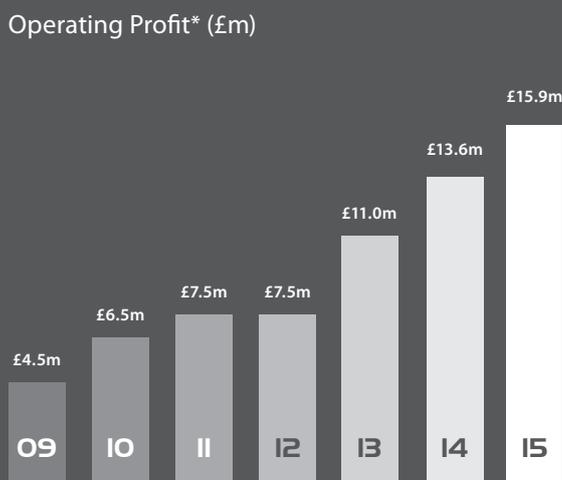
Diluted earnings per share (EPS)*
54.6p ↑ 12.3p



PROTECTION & DEFENCE

Revenue
£98.8m ↑ £6.0m

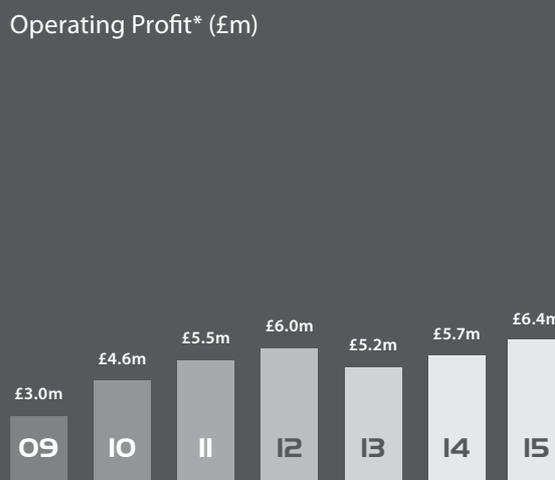
Operating Profit*
£15.9m ↑ £2.3m



DAIRY

Revenue
£35.5m ↑ £3.5m

Operating Profit*
£6.4m ↑ £0.7m



* All profit and earnings per share figures above relate to adjusted business performance as defined on page 19.

AVON PROTECTION

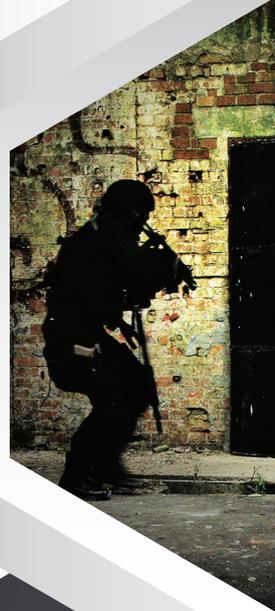
AVON FILTERS RANGE

PIONEERING CONFORMAL
FILTER TECHNOLOGY FOR FULL
RANGE OF THREAT SCENARIOS



CS P APR

FIRST SOLUTION TO ALLOW
SWITCHING BETWEEN
FILTERED, POWERED AND
SUPPLIED AIR



DELTAIR

AWARD-WINNING
FIREFIGHTER
NFPA-APPROVED SCBA

ORGANIC PRODUCT DEVELOPMENT

The core technology underpinning our product range is our world-leading military and first responder 50 series respirator.

Over the last three years our internal product development programme has delivered a suite of modular interoperable respiratory protection solutions to meet the needs of all users in all environments.

NH15CO HOOD

COMPACT CBRN
ESCAPE HOOD WITH
CO PROTECTION
NOW INCORPORATED



M50/C50





CONSULTANCY AND TRAINING

INTEGRATED END-TO-END CBRN PROTECTION CAPABILITY INCLUDING CONSULTANCY, TRAINING AND THROUGH-LIFE SUPPORT

INTEGRATING OUR RESPIRATORY PROTECTION TECHNOLOGY



MCM100

NEXT GENERATION MULTI-CAPABILITY UNDERWATER REBREATHER

ACQUISITIONS

To complement our internal development we have acquired a number of technologies that have allowed us to both expand our current product range and build our capability to be at the forefront of future development.



ARGUS TIC

MARKET LEADING THERMAL IMAGING CAMERAS FOR FIRE AND FIRST RESPONDER MARKETS



MOST ADVANCED RESPIRATOR IN THE WORLD



HUDSTAR PCB'S

ELECTRONIC CONTROL SYSTEMS FOR POWERED AND SUPPLIED AIR

OVERVIEW OF THE YEAR

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

SHAREHOLDER INFORMATION

milkrite

IMPULSE SHELLS

SPECIFICALLY DESIGNED FOR OPTIMUM EFFICIENCY WITH OUR TRIANGULAR LINERS



CLUSTER EXCHANGE

POSITIONS MILKRITE AS THE COMPLETE SOLUTION PROVIDER, MANAGING THE LINER CHANGE CYCLE



ORGANIC PRODUCT DEVELOPMENT

We have evolved from being an OEM liner and tubing manufacturer to the leading innovator in all aspects of the cluster where our Milkrite brand is now the market leader.

IMPULSE AIR

INNOVATIVE TRIANGULAR MILKING TECHNOLOGY PROVIDING SIGNIFICANT YIELD AND ANIMAL HEALTH IMPROVEMENTS



IMPULSE 300 CLAW

LIGHTWEIGHT AND ERGONOMIC CLAW DESIGNED TO WORK WITH OUR IMPULSE RANGE



LINERS &

PRIMARY TECHNICAL IN THE MILK EXT





ITALIA PORTABLE MILKING MACHINE

IDEAL FOR SMALL HERDS
IN EMERGING MARKETS

INTEGRATING OUR
MILKING TECHNOLOGY

InterPuls

OVERVIEW OF THE YEAR



iMILK 600 MILK METER

ADVANCED ELECTRONICS
AND SENSORS PLACE THIS
AT THE CUTTING EDGE
OF MILK ANALYSIS

HOW WE RUN OUR BUSINESS

ACQUISITIONS

The acquisition of InterPuls positions us as the leading provider of milking point technology. InterPuls adds a unique product portfolio of high technology milking components, telemetry and software.



PULSATOR

STATE OF THE ART
ELECTRONIC PULSATORS
DESIGNED TO FACILITATE
GENTLE, COMPLETE
AND UNIFORM MILKING

HOW WE PERFORMED

TUBING

SOLUTION PROVIDER
EXTRACTION PROCESS

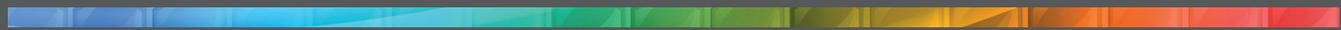


HERD MANAGEMENT

REMOTE COLLECTION OF A
RANGE OF DATA FOR OPTIMAL
HERD MANAGEMENT

SHAREHOLDER INFORMATION

GLOBAL PRESENCE



1 Avon Rubber p.l.c.
Corporate Headquarters
Melksham, UK

1 Avon Protection
Melksham, UK

1 Avon Dairy Solutions
Melksham, UK

1 ARTIS
Melksham, UK

2 Avon Protection
Cadillac, MI

3 Avon Protection
Baltimore, MD

4 Avon Protection - AEF
Picayune, MS

5 Avon Protection
Kuala Lumpur, Malaysia

6 Avon Protection
Brussels, Belgium

7 Avon Electronics Centre
West Palm Beach, FL

8 Avon Dairy Solutions
Johnson Creek, WI

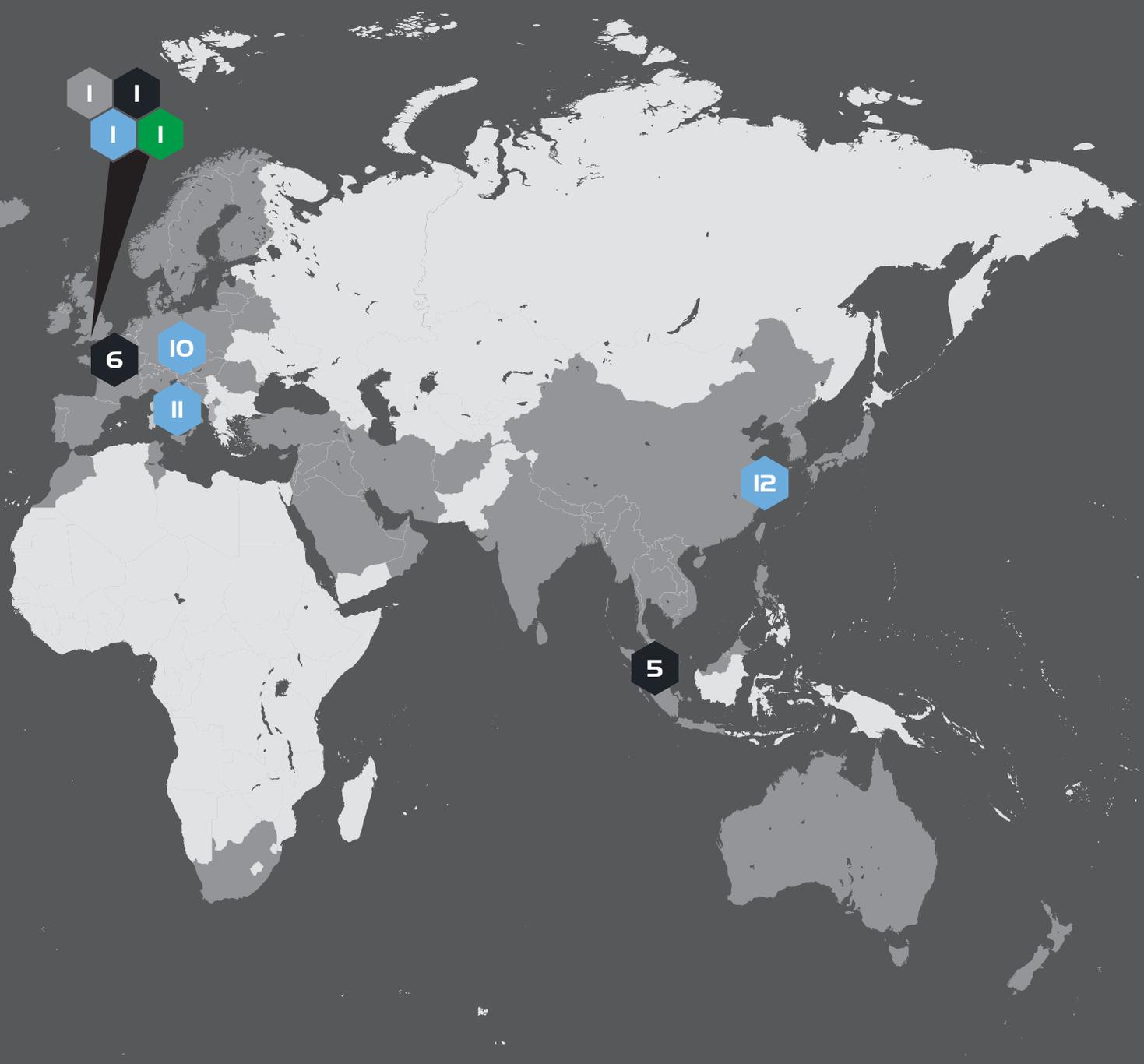
9 Milkrite
Modesto, CA

10 Milkrite
Rudnik, Czech Republic

11 Milkrite InterPuls
Albinea, Italy

12 Milkrite
Shanghai, China

13 Milkrite
Castro, Brazil



Agents and Distributors

AVON
PROTECTION 229

milkrite | InterPuls 1,180

■ Distribution countries



"Our strategy has delivered strong organic growth in 2015. The completion of strategic acquisitions combined with internal product development will allow us to integrate technologies, providing increased future opportunities."

David Evans, Chairman, Avon Rubber p.l.c.

↑ 29%

INCREASE IN DILUTED EPS

Introduction

I am pleased to report that in 2015, Avon's business strategy has delivered strong growth for the third year in succession with operating profit increasing by 19% on the previous year and diluted earnings per share increasing by 29%.

We have further strengthened our business, both organically and through two strategic acquisitions completed towards the end of the year. We continue to maintain our focus on creating a robust and sustainable business and, by investing in and integrating technology in both divisions, we are creating exciting future international growth opportunities.

Continuing sound operational management has both improved our margins and delivered strong operating cash flows, enabling us to fund the recent acquisitions whilst retaining a robust balance sheet.

Revenue of £134.3m (2014: £124.8m) increased by £9.5m or 8%. Operating margins have increased by 1.5% to 15.1% with an operating profit of £20.2m (2014: £17.0m). Diluted earnings per share rose to 54.6p (2014: 42.3p).

In Protection & Defence we are growing internationally in all our market sectors and now have a range of products for military and first responders wherever their threat may be, across land, air or sea.

In Dairy we are increasing our own brand Milkrite's market share, expanding our product and service offerings both organically and through the acquisition of InterPuls and we further enhanced our distribution in emerging markets with the opening during the year of a sales and distribution operation in Brazil. We are now positioned as the complete milking point solution provider.

InterPuls meets our criteria for adding high technology products that can be sold under the Milkrite-InterPuls brand. This provides the farmer with a range of high margin technical solutions including pulsators, milk meters, automatic cluster removers and vacuum pumps, enabling customers throughout the world to configure state of the art milking systems. In addition to traditional milking components, InterPuls is expanding into high technology sensors and devices to monitor the life cycle of a cow, analysing milk production, reproduction and health data to provide critical management information to increase the operational efficiency of the farm.

The combination of the largely non-overlapping sales forces of InterPuls with Milkrite should drive higher sales growth than either company could have achieved alone by extending international reach and cross fertilising the product ranges.

In combination, the larger business created will increase the higher margin market sectors which we have targeted for expansion.

In June 2015 the Group also completed the acquisition of Hudstar Systems Inc. for \$5.1m. Hudstar designs and manufactures electronics for breathing apparatus for firefighters and this acquisition both secures the supply chain for some key components of our Deltair products and provides electronics expertise with applications across the rest of our product range.

After the year end the Group announced the acquisition of Argus, the thermal imaging camera business of e2v plc. This further strengthens our product range in the fire and first responder markets.

Protection & Defence

Protection & Defence revenue increased 7% to £98.8m.

Under our US Department of Defense (DOD) long-term M50 mask contract we supplied 240,000 mask systems during the financial year, bringing the total to over 1.4m systems so far under this contract. Having received orders for 172,000 mask systems during the year, this left us with an order book of 50,000 systems as we entered our 2016 financial year. Further follow-on DOD M50 orders are expected in the first half of our next financial year as 2016 DOD budgets are released.

The filter requirement has less short-term visibility, but we expect this consumable item to be a good source of repeat revenue in the

Acquisitions

We made a significant strategic acquisition in InterPuls, which was completed in August 2015 for a total consideration of €29.75m, including the assumption of InterPuls's net debt of €4.0m. This acquisition combined with our existing activities makes our Dairy business a leading international provider of milking point technology, providing complete teat to pipeline solutions for the dairy sector.

£21m

INVESTMENT IN ACQUISITIONS

long term as more masks enter service. As expected, the DOD qualified a second source to provide filters during 2015 and in the second half of the year we received our first order under this new arrangement for 124,000 filter pairs.

During the year the Joint Service Aircrew Mask (JSAM) programme design, development and testing work progressed well. This will provide respiratory protection to a wide range of operators on the DOD's fleet of fixed-wing aircraft. As previously announced, the DOD has extended its testing phase of this development contract which is now due to conclude at the end of our 2016 financial year and should lead to a production contract which could be worth in excess of \$70m.

The non-DOD side of the business includes the North American first responder market and the Rest of World military and law enforcement market. Both markets are currently being driven by an increasing need to provide improved protection against growing global CBRN threats as recently seen in a number of geographies around the world.

In the US, while budgets remain constrained, we offer the respirator of choice for law enforcement which enables us to displace incumbent product and grow our market share, in particular as less effective equipment procured post 9/11 is replaced. In addition, our expanded product portfolio being delivered under Project Fusion is creating further opportunities within this sector.

In the competitive fire market, we are increasing our market share with our new Deltair self-contained breathing apparatus (SCBA) which is one of only four approved to the new standard. The acquisition of Hudstar, which designs and manufactures electronics for breathing apparatus for firefighters, both secures the supply chain for some key Deltair components and provides electronics expertise with applications across the rest of our product range.

Whilst the timing of end-user procurement remains difficult to predict in the Rest of World markets, we are the CBRN respiratory protection provider of choice and we continue to build business, particularly in the Middle East. We have also built our position in the previously identified new market, oil and gas, where our escape products have been particularly successful. We see opportunities for further growth in the broader industrial sector with our enhanced and differentiated technologies.

Our proven ability to convert profit into cash continues to support investment in new products, laying the foundation for further growth. Our Project Fusion development programme to expand and enhance our product range is substantially complete in terms of engineering with remaining regulatory approvals expected in 2016. The development of our rebreather for military diving markets is also well underway.

Dairy

Dairy revenue increased by 11% to £35.5m. Market conditions have been positive for the majority of the year and in global markets, milk prices have remained at acceptable levels. Farmer input costs have also been favourable, leading to less pressure on farmer revenues and margins and therefore normal levels of demand for our consumable products. While in the last quarter of 2015 milk prices in some markets

have softened, with the end of the European quota system and Russian sanctions increasing these pressures, the consumable nature of our products means that the impact on our revenues is somewhat protected.

Our existing dairy business has become substantially less dependent on original equipment manufacturers (OEMs) in recent years as we continue to grow sales of our own higher margin Milkrite branded products. Five years ago Milkrite customers represented 53% of our revenue; at the end of this financial year this had risen to 72%, reflecting the growth of the higher margin Milkrite brand and some OEM re-sourcing.

In recent years the business has demonstrated through the launch of our Impulse Air liner that the industry is receptive to new technology which improves farm efficiency and animal health. This proprietary product now enjoys a 25% market share in the US and continues to gain traction in the more fragmented markets in Europe with market share increasing to 3.5% following its launch in this market late in 2013.

Our Cluster Exchange service was launched in the US and Europe in 2013 and growth rates are now exceeding our earlier expectations. Under this programme farmers outsource their liner change process to us through Avon service centres with the support of our dealers and third-party logistics specialists. By the end of the year it was servicing 430,000 cows on 1,262 farms in the US and Europe. This added-value service enhances the value of each direct liner sale we make and should lead to a more robust and sustainable business model, with the potential to grow a significant recurring revenue stream in the years to come as more farms continue to sign up.

Huge potential remains in emerging markets, especially in Brazil, Russia, India and China where the growing demand for animal protein in diets and the expanding middle class has led to an increase in demand for dairy products, driving demand for our consumable product. We opened a sales and distribution centre in Brazil in the year to service Brazil and the wider South American market following the same model as our Chinese operation where we established a sales and distribution facility during 2012. Sales in China have grown substantially and our Brazilian operation is progressing to plan. The acquisition of InterPuls, which is strong in these emerging markets gives us further opportunity to enhance our Milkrite sales through InterPuls's established distribution relationships.

Group results

Group revenue increased 8% to £134.3m (2014: £124.8m) with Protection & Defence higher by 7% at £98.8m (2014: £92.8m) and Dairy up 11% to £35.5m (2014: £32.0m). Operating profit before depreciation and amortisation (EBITDA) rose 19% to £27.3m (2014: £22.9m) and operating profit rose 19% to £20.2m (2014: £17.0m).

The progressive strengthening of the US dollar during the year gave the Group a foreign exchange translation tailwind. The US \$/£ average rate was \$1.54 (2014: \$1.65) and this 11 cent tailwind was equivalent to £7.2m at a revenue level and £1.0m at an operating profit level.

Operating profit in Protection & Defence rose to £15.9m (2014: £13.6m) reflecting the revenue growth in DOD and fire markets and at AEF and improved operational performance. Dairy operating profit grew strongly

CHAIRMAN'S STATEMENT

to £6.4m (2014: £5.7m) reflecting the success of our Cluster Exchange service and the growth of the Milkrite brand in Europe.

Interest costs were £0.2m (2014: £0.3m) and the Group effective tax rate fell from 21% to 15% due to a more favourable geographic mix of profits and the recognition of a deferred tax asset in the UK as tax losses have now been fully utilised and the UK trading company is expected to be tax paying in the future, to give a post-tax profit for the year of £16.9m (2014: £13.1m). This equates to earnings per share of 56.1p (2014: 43.7p). On a fully-diluted basis, earnings per share rose 29% to 54.6p (2014: 42.3p).

We continue to invest in product development which is reflected in our expanding product range in both sides of the business. Our total investment in research and development (capitalised and expensed) amounted to £7.1m (2014: £7.0m) of which £3.8m (2014: £4.5m) was customer funded.

After completing two acquisitions with a total value of £21.2m, net debt at year end was £13.2m (2014: net cash of £2.9m), reflecting the strong operating cash conversion from the business. Committed bank facilities of £26.4m run to 30 November 2018.

Dividend

Based on the Group's improved profitability, cash generation and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 30% increase in the final dividend to 4.86p per ordinary share (2014: 3.74p). This, combined with the 2015 interim dividend of 2.43p, results in a full year dividend of 7.29p (2014: 5.61p), up 30%.

Employees

Our employees have risen to the challenge in supporting the Group's progression from a traditional manufacturing business to a customer and technology driven, sales and marketing led organisation. We are succeeding in creating a culture of innovation to enable us to take full advantage of opportunities in developing new technologies and new markets while maintaining the manufacturing excellence for which the Group is so highly regarded. Our people have continued to respond positively as we have moved into the next phase of our growth, acquiring InterPuls and Hudstar and more recently, Argus and we welcome the employees in Albinea, West Palm Beach and Chelmsford to the Avon team. I thank everyone for their valued contribution on behalf of the Board.

Opportunities

Last year I said our strong balance sheet would support complementary acquisitions which could deliver synergistic benefits. The management team has successfully identified a number of businesses meeting this criterion across both sides of the business and I am pleased to report we completed the acquisitions of InterPuls and Hudstar during the year and since the year end we have announced the acquisition of the Argus thermal imaging camera business from e2v plc. Looking forward we see these acquisitions, together with our existing growth strategies, enhancing our global market leading positions which will deliver further opportunities for growth. We will continue to invest in innovative new technologies and products and in building our brand and market reach to bring these opportunities to fruition.

Board changes

After serving as a Non-Executive Director since March 2005 Stella Pirie stood down at the AGM in January 2015. Pim Vervaat was appointed on 1 March 2015. Pim is Chief Executive of RPC Group Plc, the UK based manufacturer of rigid plastic packaging and a FTSE 250 listed company.

After fifteen years with the Group, the last seven of which have been as Chief Executive, Peter Slabbert stepped down from his role as Chief Executive and retired from the Company on 30 September 2015.

The Board is immensely grateful to Peter for the contribution he has made during his time with Avon Rubber. Early on he was an instrumental part of the successful transformation of the Group, helping to build the foundations that have led to the recent consistent record of growth in profits. He leaves behind a strong executive team which the Board is confident will continue to grow the Group.

We look forward to welcoming our new Chief Executive, Rob Rennie on 1 December 2015. Rob joins Avon having held a number of senior positions at Invensys plc. His most recent role was President of the Energy Controls group, a division with annual sales in excess of \$400m. This group included Eurotherm, the global supplier of industrial and process control, measurement and data management solutions, where Rob started his career and was ultimately appointed Managing Director. Rob was the driving force behind the evolution of Eurotherm and, as a member of the Invensys Executive Committee, was part of the team that successfully sold Invensys to Schneider Electric in 2014.

My thanks to Andrew Lewis our Group Finance Director for ably carrying out the role of Interim Group Chief Executive in the period to 1 December 2015.

Outlook

Our strategy of integrating new technologies from product development and acquisitions has provided strong results in 2015 and increased our future opportunities.

In our global Protection & Defence business we have good visibility of DOD revenues for 2016 and a strong underlying portfolio of non-DOD business which we expect to be enhanced by the increasing impact of the recently launched new products and supplemented by impact orders, although the timing of these remains difficult to predict.

While the year end softness in milk prices has continued, the acquisition of InterPuls provides the Dairy business with both new products and access to new markets through the integration of the sales and distribution channels of the two businesses.

We remain confident in our strong and proven management team's ability to maintain the momentum of growth in our business.



David Evans
Chairman
17 November 2015

Strategic overview

Group objectives

The Group is committed to generating shareholder value through the development of new products and serving global markets that can deliver long-term sustainable revenues at higher than average margins.

Business overview

The Group has transformed itself over recent years into an innovative design and engineering group specialising in two core businesses, Protection & Defence and Dairy. With a strong emphasis on research and development we design, test and manufacture specialist products from a number of sites in the US and Europe, serving markets around the world. We achieve this through nurturing the talent and aspirations of our employees to realise their highest potential.

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Group strategy

We have two strategic priorities at Group level:

- Expanding our Protection & Defence business in military, first responder and industrial markets globally; and
- Developing our Dairy operation through its Milkrite and InterPuls brands in traditional and emerging markets with both existing and innovative new products.

We measure progress against our strategic priorities by reference to our financial performance (as shown on page 19) and a broader set of key performance indicators (KPIs) which are shown on pages 26 and 27.

Protection & Defence strategy

We have a world-leading range of military respirators, developed over many years and funded partially by our customers, where we own the intellectual property.

Our strategy is to build a strong position in the US military market and use this position to sell to other governments and first responder markets globally.

We initially demonstrated this through our long-term sole-source mask systems contract to supply the US military. Our status as a prime contractor to the DOD, which regards us as experts in our field, has brought us a number of other opportunities to replicate this with our recently developed respiratory protection products.

Our product range and manufacturing capability is increasing. Developing through-life revenues with greater consumable sales and service revenue, such as filters, is also a key objective.

We believe that our expanding product range and customer base, together with our credibility and development expertise, will put us in a market-leading position to supply into all accessible global markets.

Strategic imperatives for success in Protection & Defence

Leverage our relationship with the DOD to aid and facilitate next generation products for commercialisation.

Ensure customers and stakeholders recognise the Avon brand as synonymous with advanced CBRN respiratory protection.

Develop a global operating platform to support business demands.

Maximise profitable growth through new business development and products.

Create stable organic growth by ensuring our core products exceed customer expectations.

Attract, retain and develop our employees.



Avon Training & Consultancy

Avon Protection's new training and consultancy team provide consultancy on risk situations and the best CBRN products and also provide bi-monthly risk updates to clients.

Insight CBRN is available to all Avon Protection customers.



Dairy strategy

Our strategy for long-term sustainable profit growth is to continue to grow our market-leading Milkrite brand in the US, to replicate that position in our European business and establish a Milkrite presence in emerging markets. In both of our developed markets we have added a service offering, Cluster Exchange, which provides efficiency gains for the farmer and provides us with an increased, more predictable revenue base.

The acquisition of InterPuls allows us to broaden our product range and our geographic reach, both key strategic objectives. The addition of InterPuls's products makes us the complete milking point solution provider and its established distribution relationships in emerging markets will allow us to accelerate our growth in these regions building on the investments we have already made in China

Strategic imperatives for success in Dairy

- Expansion of our product and service range.
- milkrite** and **InterPuls** brand development and positioning.
- Leverage the benefit of our world class manufacturing operations.

and Brazil, where we had opened sales and distribution facilities. Innovative new product and service offerings and continued world class low cost manufacturing excellence should allow our enhanced dairy business to sustain growth, profitability and cash generation.



- Expansion of in-country sales presence.
- Expansion of distribution and dealer network.
- Attract, retain and develop our employees.



Milkrite opens new distribution facility

A new regional distribution facility opened in Brazil this year to support growth in the South America region.

The facility is similar to the sales and distribution facility which was established in Shanghai in 2012, now providing a strong platform for future growth in the emerging markets.

The investment in South America comes at a time when there is a rapid increase in demand in the region. Milkrite will now be able to better serve the South American market through better distribution capability and an in-country network.



Group business model

Our management structure is decentralised and decision-making is delegated to the appropriate executive team. Our Board manages overall control of the Group's affairs and is responsible for delivering the Group's overall objective of generating shareholder value through developing new products and serving global markets that can deliver long-term sustainable revenues at higher than average margins. The Group Executive team which comprises the Executive Directors and three key members of our senior management team is responsible for assisting the Chief Executive in implementing our strategy and the day-to-day management of the Group. This team is supported by three executive teams covering Protection & Defence, Dairy and Corporate activities.

Protection & Defence business model

Markets

Our respiratory protection products are sold direct to military markets where our primary customer is the DOD (Army, Navy, Marines, Coastguard and Air Force) as well as a number of approved governments globally. Other significant markets are categorised under the first responder banner and include the police and other emergency services and are addressed either directly or through distribution channels. SCBA and thermal imaging equipment is targeted at fire services and other industrial users, primarily through a distribution network in the US. All of these products are safety-critical and the markets are consequently highly regulated with the approval standards creating significant barriers to entry. Product life cycles are long and standardisation to a particular product by users is typical.

US DOD

We have a long-term sole-source contract with the US DOD for the supply of mask systems. Our products have earned a reputation for quality and comfort and the business is currently developing a new aircrew mask system funded by the DOD.

FIRE

We provide a total solutions option, manufacturing a broad portfolio of high-performance, timesaving respiratory personal protection equipment that employs the most advanced features in the fire-service industry. In 2014 we launched Deltair, our completely redesigned fire SCBA which meets the latest NFPA regulatory standard.

OTHER MILITARY, LAW ENFORCEMENT AND FIRST RESPONDER

Our respiratory protection products are sold to foreign military, law enforcement and first responder customers in over 60 countries around the globe.

AEF

We continue to provide the US Army and Navy with hovercraft skirting assemblies. We also supply a wide range of collapsible storage tanks for static fuel and water storage for military applications and other industrial applications such as fracking.

Products

Our Protection & Defence business consists of a growing range of respiratory products. The main products are respirators or gas masks (product names M50, C50, ST53, M53 and FM12) together with a range of spares and accessories; the NIOSH-approved emergency hood (NH15); rebreathers for escape and underwater use; and SCBA (primarily the Deltair product range). We also manufacture the consumable filters used by these products and thermal imaging camera equipment. The respirators and escape hoods offer breathing protection to varying degrees against CBRN threats while the SCBA equipment offers protection in oxygen depleted environments. We also have a flexible fabrications business which manufactures fuel and water storage tanks and hovercraft skirts.

M50

The most advanced general service respiratory protection mask to date, offering advanced comfort, usability, operational effectiveness and protection.

M6I

Pioneering conformal filter technology for closer integration and designed with bayonet quick fit for use only with the M50 mask.

C50

Developed using the same platform as our M50 based US military mask. The innovative design features optimise the user's time in the operational arena for CBRN protection in law enforcement or counter-terrorism operations.

MILCF50

The filter has a unique conformal shape providing a low profile close fit with the mask. The filter design minimises snag and pull hazards as well as reducing neck loading.

ST53

One system for all missions combining the FM53 mask technology with an advanced modular breathing apparatus for specialist operations.

DELTAIR

As the firefighting industry's first new SCBA innovation in years, Deltair offers superior air management, single power supply, clearer communication and optimal weight distribution for firefighters and other first responders.

EEBD

Our Emergency Escape Breathing Device for which we recently obtained NIOSH certification has military applications on-board ship and we are targeting applications in the mining and commercial shipping industries.

UNDERWATER REBREATHERS

Following the acquisition of VR Technology Holdings we are designing a product range for military use and developing a multi-capability mine counter-measures rebreather.

JSAM

We are developing upgraded CBRN respiratory protection equipment for aircrew on the DOD's fleet of fixed wing aircraft.

NH15

The smallest NIOSH-certified CBRN air purifying escape respirator on the market ideal for police, emergency medical services and fire officers seeking immediate or emergency respiratory protection in a CBRN scenario.

AEF

Offering design and manufacture of flexible storage tanks, containers and other air-supported rubber structures.

CS PAPR

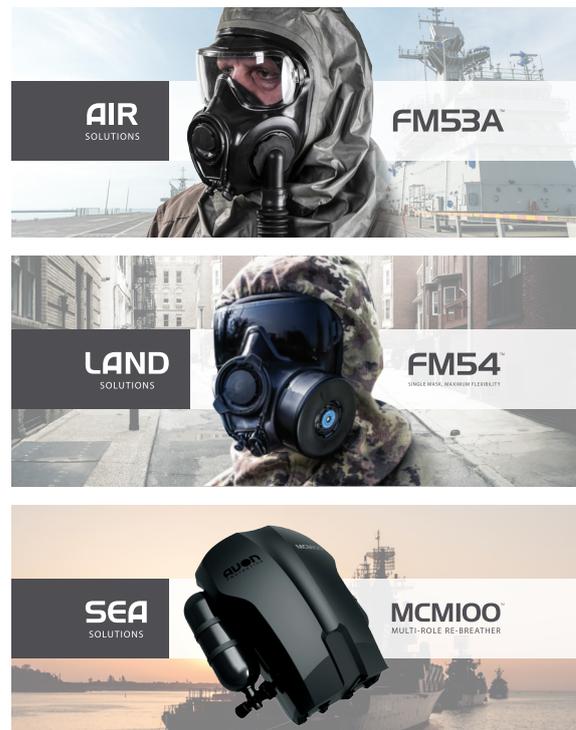
Our latest product is the CS PAPR, a combination system powered air purifying respirator, which can be used as a complete system or as individual modules. It allows the wearer to switch seamlessly between purified air and SCBA modes of protection.

Product development

Our product development programme, Project Fusion, combines the skills and expertise of our design and engineering teams to produce a modular personal protection system comprising smaller modules with multiple functionalities that can be combined or used independently in different threat scenarios.

We expect this modular approach to further extend our market reach into the military, law enforcement and first responder protective equipment market for air, land or sea based users.

This product range was launched at the Defence and Security Equipment International exhibition in September 2015.



Hudstar acquisition (Avon Electronics Centre)

Enabling us to design the platform for the next generation of respiratory protection

- During the year we acquired Hudstar, a company based in Florida, US. It designs and manufactures electronics hardware and software for the fire service industry, including heads-up displays, wireless communication systems, personal alert safety systems, pressure transducers, telemetry systems and remote air management systems. It manufactures electronics equipment for our Deltair product, principally the console unit
- The vertical integration of this key supplier for the Deltair electronics enables us to reduce supply chain risk, safeguarding our Deltair production capability and enabling us to reduce production costs. There are also a number of purchased components across the rest of our product range that we will be able to insource, for example circuit boards for our dive computers and rebreathers
- The acquisition gives us access to a number of different technologies (some of which are patented) that can be used across the rest of our product range and in future product development, for example, in telemetry and more complex in-mask heads-up displays
- It has also provided added electronics expertise within Avon's engineering skill base that can be used to improve existing products and services and in the development of new products

We are in the process of establishing a centre of excellence for electronics development and assembly, including both the Deltair electronics package and the PAPR line, Avon Electronics Centre.



Dairy business model

Markets

Our Dairy business designs, manufactures and sells products and services used in the automated milking process, primarily rubberware such as liners and tubing. These consumable products come into direct contact with the cow and the milk and are replaced regularly to ensure product hygiene, animal welfare and to maximise milk quality. The acquisition of InterPuls in 2015, a milking components specialist in electromechanical components, such as pulsators, milk meters, automatic cluster removers, milking clusters, washing systems, vacuum pumps, bucket milkers and pipeline system components has added significantly to our product range, making us the complete milking point solution provider. Our customer base is split between OEM customers and customers buying our own-brand Milkrite and InterPuls products.

The global market is concentrated in high consumption automated milking markets in North America and Western Europe where we have significant market shares. Potential exists outside these traditional markets, in particular in China, India, Russia, Eastern Europe and South America, all of which are currently experiencing rapidly increasing demand for dairy products which is being satisfied through mechanised milking. The acquisition of InterPuls allows us to broaden our geographic reach. The addition of InterPuls's established distribution relationships in emerging markets will allow us to accelerate our growth in these regions building on the investments we have already made in China and Brazil, where we have opened sales and distribution facilities.

US

- Our Milkrite brand has established a 46% market share with a total Avon market share of 63%
- Impulse Air has 25% share of the market
- Cluster Exchange is servicing 319,000 cows on 229 farms

CHINA

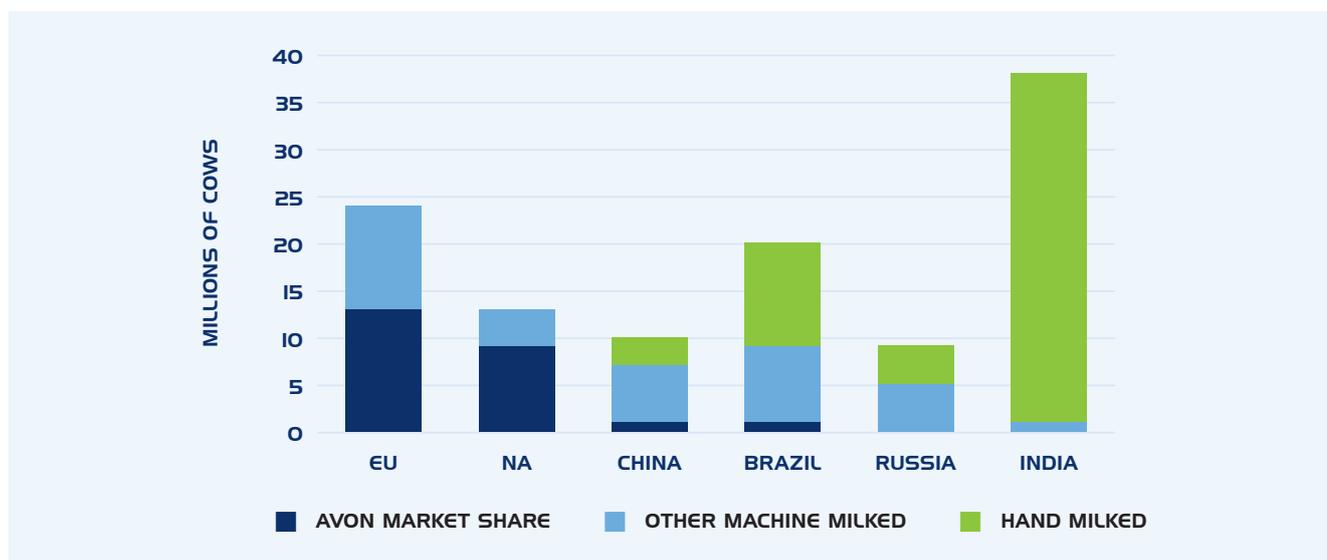
- Contracts secured with China's largest milk suppliers and distributors, Mengniu and Yili
- Dealer network established
- Strong InterPuls presence

EU

- Milkrite market share has increased to 19% of which 3.5% represents Impulse Air, launched in 2013. Total Avon market share of 57%
- Investment made in sales resource in 2013 starting to deliver Milkrite growth
- Strong InterPuls presence

SOUTH AMERICA

- We have opened a sales and distribution centre in Brazil to service the wider South American market which will allow further opportunity for growth



Products

Our products are sold through distributors under our own Milkrite and InterPuls brands. We also manufacture for major OEMs. We excel in product design, materials specification and manufacturing efficiency. We are working to bring a wider range of dairy products to market under our own brands, enhancing the farmer's view of us as the primary technical solutions provider in the milk extraction process. The success of the innovative Milkrite Mouthpiece Vented Liner, Impulse Air, continues and this product has established a 25% market share in the US since its launch in 2010 and a 3.5% market share in Europe since its launch there in 2013.

Milkrite liners

Milkrite's Impulse and Impulse Air range provides triangular liners designed for less slip and improved animal health benefits with their unique interlocking anti-twist shell design. Impulse Air takes innovation one step further using a unique air flow to draw the milk away quickly. Milkrite's Ultraliner LT and TLC offer value for money and the latest in technological innovation.

Milkrite tubing

Milkrite Ultraclean dairy tubing is the first to combine a smooth sanitary interior surface with a durable, flexible rubber exterior which is chemically cross-linked, resulting in long-lasting tubing that will clean better and maintain milk purity like no other product on the market today.

InterPuls pulsators

We are the world-leading manufacturer of state of the art electronic pulsators designed to facilitate gentle, complete and uniform milking.

InterPuls milk meters

We manufacture advanced electronics and sensors placing us at the cutting edge of milk analysis.

Product development

We have invested considerably in product development.

Our Cluster Exchange programme, recently launched in the US and Europe, means Milkrite is a complete solution provider, saving farmers time on low-value tasks, securing our relationships with our customers and managing the liner change cycle. Further opportunities are available for this exciting concept.

During the year we completed our Milkrite Impulse Air cluster offering with the launch of our Impulse Claw 300. This is an important chapter for the Milkrite brand and completes the transition from liner expert to cluster expert. The lightweight and ergonomic design makes the claw easier to handle and reduces the overall weight of the cluster. In addition, the claw is a combination of quality components made from high quality material which makes it extremely durable.

The Impulse Claw 300 has been designed with the modern cow in mind which often has narrow rear teats with a strong udder cleft. Therefore the claw is designed for optimal cluster positioning. The modular design also allows for milking in all parlour types, including milking through the rear legs as well as down the body of the animal by rotating the claw lid.

The acquisition of InterPuls brings capability in the fields of herd management, sensor technology and telemetry, all of which provide opportunities for integration with our existing product range.

Business review – the year under review

Avon has delivered another strong set of financial results, driven by the investments we have made in integrating technology, positioning us as the complete solutions provider to our customers.

The increase in profitability and strong cash conversion has enabled the Group to pursue organic and inorganic growth opportunities during the year, although the timing of the acquisitions we have made in 2015 means they have not contributed significantly to the results in the current year.

The Group's key achievements in 2015 have been:

- Revenue growth of 8% to £134.3m
- EBITDA growth of 19% to £27.3m
- Operating profit growth of 19% to £20.2m
- Operating margins improved by 1.5% to 15.1%
- Profit before tax up 20% to £19.8m
- Diluted earnings per share up 29% to 54.6p
- Dividend increase of 30% to 7.29p
- Cash generated from operating activities of £24.1m, representing 119% of operating profit
- Acquisition of InterPuls and Hudstar
- Strong DOD sales, excellent year at AEF and continued commercial progress
- Market share growth of Impulse Air to 25% in the US and 3.5% in Europe
- Cluster Exchange servicing 430,000 cows on 1,262 farms across US and Europe

NOTE: The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude discontinued operations, exceptional items, defined benefit pension scheme costs and the amortisation of acquired intangibles. The term adjusted is not defined under IFRS and may not be comparable with similarly-titled measures used by other companies.

All profit and earnings per share figures in the Chairman's Statement and this Strategic Report relate to adjusted business performance (as defined above) unless otherwise stated.

A reconciliation of adjusted measures to statutory measures is provided below:

	2015		2015	2014		2014
	Statutory	Adjustments	Adjusted	Statutory	Adjustments	Adjusted
Group EBITDA (£m)	27.0	0.3	27.3	20.5	2.4	22.9
Group operating profit (£m)	18.9	1.3	20.2	14.3	2.7	17.0
Other finance expense (£m)	0.9	(0.7)	0.2	0.2	-	0.2
Group profit before taxation (£m)	17.8	2.0	19.8	13.9	2.7	16.6
Taxation (£m)	2.7	0.2	2.9	3.1	0.4	3.5
Group profit for the year (£m)	13.7	3.2	16.9	10.8	2.3	13.1
Basic earnings per share (pence)	45.4	10.7	56.1	36.2	7.5	43.7
Diluted earnings per share (pence)	44.2	10.4	54.6	35.0	7.3	42.3
Protection & Defence EBITDA (£m)	21.4	0.2	21.6	16.5	2.0	18.5
Protection & Defence operating profit (£m)	15.3	0.6	15.9	11.3	2.3	13.6
Dairy EBITDA (£m)	7.5	0.2	7.7	6.6	-	6.6
Dairy operating profit (£m)	5.6	0.8	6.4	5.7	-	5.7

The adjustments comprise:

- Amortisation of acquired intangibles of £1.0m (2014: £0.3m)
- Net defined benefit pension scheme credit of £0.3m (2014: cost £0.4m), which relates to a scheme closed to future accrual and therefore do not relate to current operations
- Exceptional items of £0.6m (2014: £2.0m) relating to executive search fees and acquisition costs (2014: consolidation of Protection & Defence sites)
- Tax effect of adjustments of £0.2m (2014: £0.4m)
- Loss on discontinued operations of £1.5m (2014: nil) relating to dilapidations costs of former leased premises of a business disposed of in 2006

Further details are provided in note 3 of the financial statements.

Results

Avon has made excellent progress during 2015. Revenue increased 8% to £134.3m (2014: £124.8m) with Protection & Defence up 7% and Dairy up 11%.

Operating profit increased to £20.2m (2014: £17.0m) and earnings before interest, taxation, depreciation and amortisation (EBITDA) were £27.3m (2014: £22.9m). This represents a return on sales (defined as EBITDA divided by revenue) of 20.3% (2014: 18.4%).

After net interest and other finance costs the profit before tax was £19.8m (2014: £16.6m). After tax, the profit for the year was £16.9m (2014: £13.1m).

Finance expenses

Net interest costs reduced to £0.2m (2014: £0.3m).

Other (non-cash) finance expenses associated with the unwinding of discounts on provisions were £0.2m (2014: £0.2m).

Taxation

The statutory tax charge totalled £2.7m (2014: £3.1m) on a statutory profit before tax of £17.8m (2014: £13.9m). In 2015 the Group paid tax in the US, but not in the UK due to brought forward tax losses. The effective tax rate for the period is 15% (2014: 22%), reflecting a more favourable geographic mix of profits and the recognition of a deferred tax asset in the UK in respect of accelerated capital allowances and short-term timing differences as UK tax losses have now been utilised and the UK trading company is expected to be tax paying in the future.

The adjusted effective tax rate, where the tax charge and the profit before taxation are adjusted for exceptional items, the amortisation of acquired intangibles and defined benefit pension scheme costs is 15% (2014: 21%). In 2015 the US Federal tax rate was 34% and the Group's effective tax rate reflects the predominance of US revenues and earnings and the availability of previously unrecognised tax losses in the UK. Whilst the acquisition of InterPuls has not had a significant impact on the Group tax rate in the current year, with a combined Federal and Regional Italian tax rate of approximately 31%, the Group effective rate of tax is likely to increase in future years.

Prior period adjustments related to taxation payable in the US where legislation concerning the timing of deductibility of certain expenditure was passed by Congress after the 2014 financial statements were approved but before we filed our US tax returns. Hence we were able to take the benefit of this in our tax filings but we had not assumed such a benefit when calculating our tax liability at the time of approving the 2014 financial statements.

Unrecognised deferred tax assets in respect of tax losses in UK non-trading companies amounted to £0.3m (2014: £1.4m). In 2015, these relate only to non-trading companies and therefore these have not been recognised as at the time of approving the financial statements we do not consider there to be sufficient evidence to conclude that future taxable profits will be made in these companies.

Earnings per share

Basic earnings per share were 56.1p (2014: 43.7p) and diluted earnings per share were 54.6p (2014: 42.3p).



A new look for Cluster Exchange

Our Cluster Exchange Service has grown rapidly over the last 18 months. To support this growth we have introduced two new washing machines in the UK.

The new machines have significantly increased capacity in our Hampton Park West facility which will support the further growth of Cluster Exchange in Europe.

Segmental performance

Protection & Defence performance

Protection & Defence represented 74% (2014: 74%) of total Group revenues. The business saw revenues increase by 7% from £92.8m to £98.8m. The growth was due to strong performance in all areas of the business.

Operating profit grew strongly to £15.9m (2014: £13.6m) up 17% and EBITDA was £21.6m (2014: £18.5m), representing a return on sales (as defined above) of 21.9% (2014: 20.0%). Our DOD, Fire and AEF businesses have all grown, while our non-DOD mask volumes have reduced slightly, as expected given the strong 2014 comparative in this area. Our margins have improved due to efficiencies and increased prices under our long-term DOD contract.

Sales of mask systems and filter spares to the DOD increased from £34.0m to £44.5m as production scheduling, which was flexed in 2014 to accommodate the higher level of non-DOD activity, shifted back to DOD production in 2015.

We delivered 240,000 mask systems and 92,000 pairs of filter spares, compared with 168,000 mask systems and 172,000 pairs of filter spares in 2014.

Having received orders for 172,000 mask systems during the year, this leaves us with an order book of 50,000 systems as we enter 2016. Under our 10 year sole-source contract, further follow-on DOD M50 orders are expected in the first half of the new financial year as 2016 DOD budgets are released.

Sales to US law enforcement and non-US military and law enforcement were £27.7m (2014: £31.0m) as a result of a good performance from the underlying portfolio and a 10,000 C50 delivery to a customer in the Middle East. This was a small decrease on the strong comparator period as 2014 included two large such deliveries.

Our industrial portfolio launched in 2014 continued to make good progress with particular successes in the oil and gas market and with further product enhancements in the pipeline, there is potential to continue to develop this area of the business.

We saw growth in sales to the North American Fire market this year following the release of our new NFPA-approved Deltair SCBA. Our product, which is designed to meet the new US regulations and to deliver enhanced operational performance, has been well received by the market and remains one of only four units to receive approval to date.

AEF grew strongly in 2015, winning hovercraft skirt and fuel and water storage tank orders as we have successfully rolled out our non-DOD sales strategy to this area of the business.

DOD spares sales have reduced slightly this year, as expected given the volatility of DOD ordering patterns in this area. Long term, as the installed base of masks grows so will the DOD's requirement to fill its supply chain.



New range of products launched at UK defence show

Following four years of development, Avon Protection launched a new range of modular products at the UK defence show, DSEI, in September.

The new products, FM54 APR, EZAir+, MP PAPR, CS PAPR and Avon/Shield, have been designed for the CBRN environment and threats of the future and provide maximum operational flexibility with interchangeable components for multiple protection level configurations as threats change.

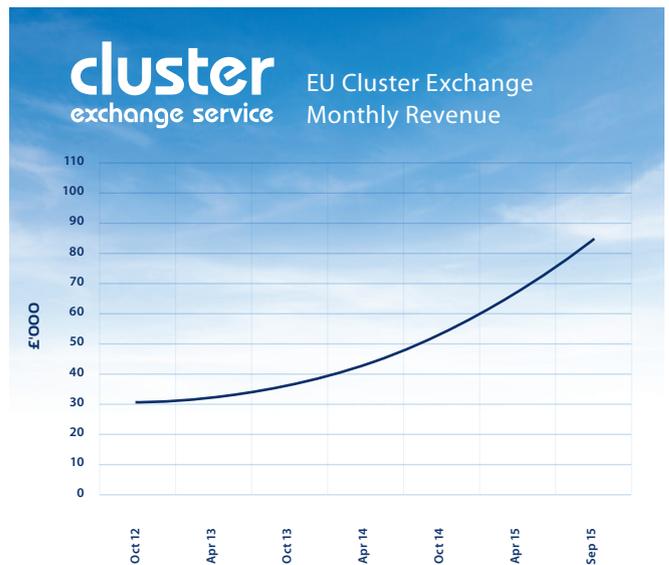
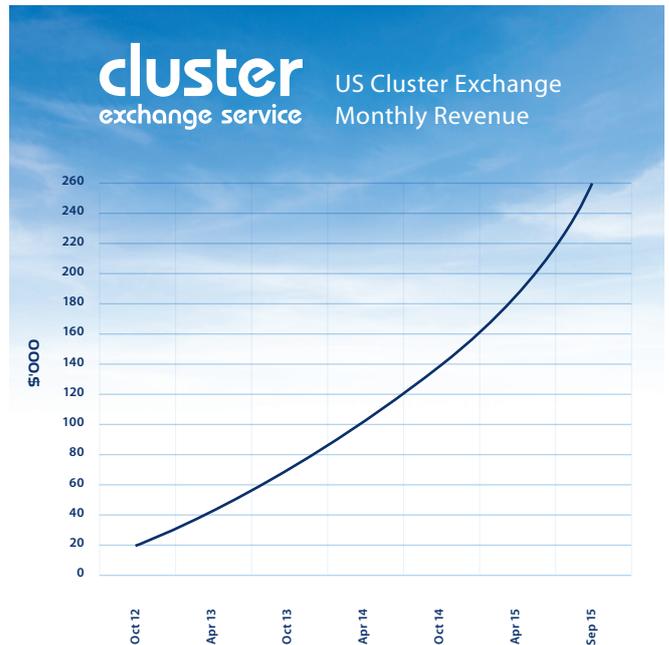
Dairy performance

Dairy revenues increased by 11% to £35.5m (2014: £32.0m) (with a contribution of £1.0m from InterPuls which was acquired in August 2015). The organic growth was achieved despite markets in Europe softening in the second half of our financial year, reflecting the success of our Cluster Exchange service and growth of the higher margin, technology leading Milkrite products. Operating profit increased by 12% to £6.4m (2014: £5.7m) which arose solely from our existing business as, given the timing of the InterPuls acquisition and the Italian summer holiday season, the acquired business did not contribute to divisional operating profit in 2015. EBITDA was £7.7m (2014: £6.6m), giving a return on sales (as defined above) of 21.7%, up from 20.7% in 2014.



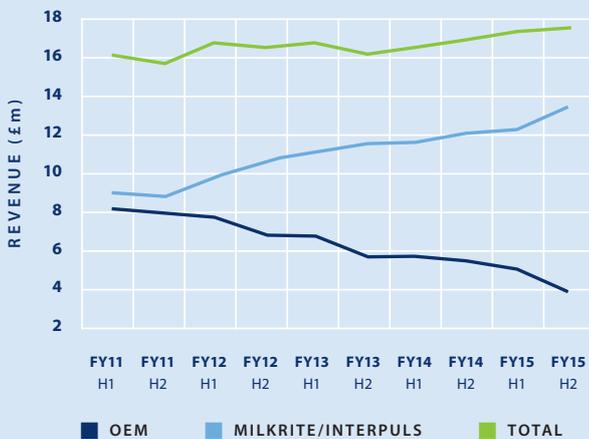
At the start of the year, market conditions improved as global milk prices were at acceptable levels and farmer input costs were favourable meaning there was less pressure on farmer revenues and margins and therefore normal levels of demand for our consumable products. Towards the end of the year, these pressures have increased due to lower milk prices in some markets. Russian import controls and the removal of quotas have also affected European markets.

Our Cluster Exchange service was launched in the US and Europe in 2014 and growth rates continue to exceed our initial expectations. By the end of the year it was servicing 430,000 cows on 1,262 farms in the US and Europe. This added-value service enhances the value of each direct liner sale we make and has delivered a more robust and sustainable business model. Under this programme farmers outsource their liner change process to us, which we deliver through service centres established in our existing facilities, with the support of our dealers and third-party logistics specialists.



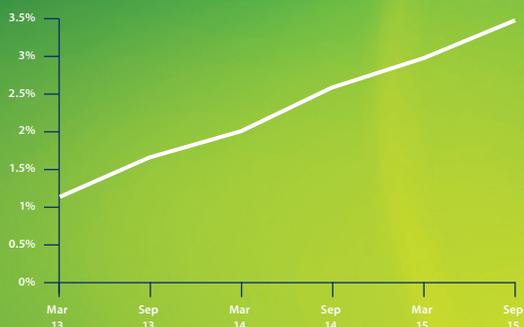
Milkrite sales increased as a proportion of total revenue providing a richer sales mix. Only five years ago OEM customers represented 47% of our revenue; at the end of this year this had fallen to 28%, reflecting the success of the higher margin Milkrite brand and the decision of certain OEMs to insource or dual source production. With the integration of InterPuls we expect the proportion of own brand revenue to increase further.

Dairy Revenue Analysis



In Europe, Milkrite’s market share has increased as a result of the investment we made in our increased sales force, enhanced technical support and a larger distributor network. Our Impulse Air mouthpiece vented liner, first launched in Europe late in 2013, continues to gain traction, with its market share increasing to 3.5% (2014: 2.6%).

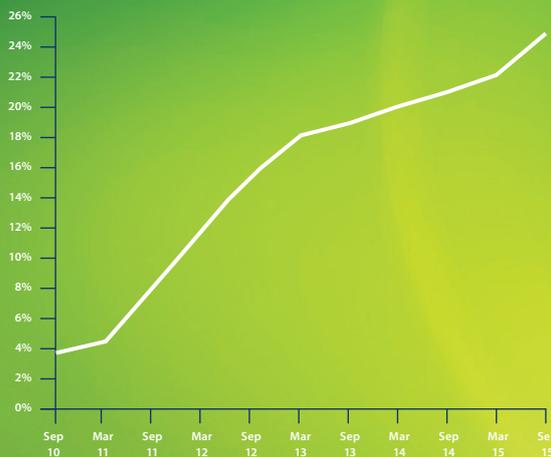
impulseAir® EU Market Share



■ EU impulseAir® Market Share

In the US, the Milkrite Impulse Air mouthpiece vented liner continued to perform well, with its market share increasing to 25% (2014: 21%).

impulseAir® US Market Share



■ US impulseAir® Market Share

This success has given us the confidence to invest further in product development resource and to commence work on the next generation of products, the first of which, our Milkrite claw, was launched in the final quarter of the year. The InterPuls acquisition further adds to our product portfolio and product development capability, the benefits of which we expect to see in future years.

In China, year on year revenue grew strongly as the industrialisation of the milking process continues apace, creating excellent long-term potential for our consumable products.

In South America, where we opened our sales and distribution facility in the first half of the year, we have started to make good progress in establishing a strong dealer network and expect to see growth in this region.

In many other emerging markets, including India, the number of dairy cows being milked using automated milking processes is growing strongly. This is adding to the market potential for the consumable products we sell. We plan to harness this potential using the distribution network which InterPuls has already established in these regions.

Group position

Acquisitions

On 19 June 2015, the Group completed the acquisition of 100% of the share capital of Hudstar Systems Inc. for \$5.1million in cash from existing cash resources, with deferred contingent consideration of up to \$0.5m.

On 5 August 2015, the Group acquired 100% of the share capital and shareholder loan notes of InterPuls S.p.A. ('InterPuls') for an enterprise value of €29.75m, including the assumption of InterPuls' net debt of approximately €4.0m. The cash consideration of €25.75m was paid on completion and was funded from existing Group cash balances and existing debt facilities.

Net cash and cash flow

Net debt at the end of the year was £13.2m (2014: net cash of £2.9m). At the year end, total bank facilities were £26.4m, which are US dollar denominated and committed to 30 November 2018.

In the year we invested £21.2m in the acquisitions noted above and £6.2m (2014: £6.8m) in property, plant and equipment and new product development. In the Protection & Defence business this focused on our new product development programme, Project Fusion. In Dairy we invested in the development of our new claw and the hardware required to support our Cluster Exchange service offering.

Operating activities generated cash of £24.1m (2014: £26.5m), representing 119% of operating profit (2014: 156%). Through sound operational management the Group has driven strong conversion of profits into cash. The timing of shipments to customers can impact all aspects of working capital and at the 2015 year end inventory was higher from a combination of foreign exchange translation, acquisitions and the launch of our Fusion products. Receivables decreased as in the prior year a large order was shipped immediately prior to year end. Lower advance receipts from customers, cash outflows in relation to the prior year restructuring provision and timing of payments to suppliers following the acquisition of InterPuls resulted in cash outflows in respect of payables.



Milkrite transfer warehouse to new facility in Czech Republic

Milkrite has taken an important next step in the management of its European supply chain by merging all their European logistics into a new distribution centre in Prague, Czech Republic with service partner CEVA Logistics. The move will improve:

- Logistics capacity (more warehouse space for a growing business)
- Responsiveness (all products at one location, avoiding part shipments, etc.)
- Flexibility (direct connections in Prague with all leading transport companies)

UK retirement benefit obligations

The balance, as measured under IAS 19 (revised), associated with the Group's UK retirement benefit obligation, which has been closed to future accrual, has moved from a £16.0m deficit at 30 September 2014 to a £16.6m deficit at 30 September 2015.

This movement has resulted from an increase in liabilities as the AA corporate bond rate has fallen partially offset by strong performance from our return-seeking assets and Liability Driven Investment.

A settlement gain of £0.7m (2014: nil) was realised following a trivial commutation exercise. See note 3 of the financial statements for further details.

During 2015, the Group paid total contributions of £0.8m (2014: £0.5m).

The last triennial actuarial valuation took place as at 31 March 2013. That valuation showed the scheme to be 98.0% funded on a continuing basis and under the deficit recovery plan, the payments for the Group financial years ending 30 September are as follows: 2016: £0.7m, 2017: £0.7m and 2018: £0.7m. These amounts include £0.3m p.a. in respect of administration expenses.

Research and development

Intangible assets totalling £41.3m (2014: £17.2m) form a significant part of the balance sheet as we invest in new product development and acquisitions. This can be seen from our expanding product range in both Protection & Defence and Dairy. The annual charge for amortisation of development costs was £1.9m (2014: £1.5m).

Our total investment in research and development (capitalised and expensed) amounted to £7.1m (2014: £7.0m) of which £3.9m (2014: £4.5m) was customer funded and has been recognised as revenue.

In Dairy we have started to expand our product range under the Milkrite brand beyond liners and tubing into non-rubber goods such as liner shells and claws.

We have started to see the benefits of these efforts, which underpin the long-term prosperity of the Group, during our 2015 financial year.

Research and development expenditure

	Protection & Defence £m	Dairy £m	Total £m
Total expenditure	6.9	0.2	7.1
Less customer funded	(3.9)	-	(3.9)
Group expenditure	3.0	0.2	3.2
Capitalised	(2.5)	(0.1)	(2.6)
Income statement impact			
of current year expenditure	0.5	0.1	0.6
Amortisation	1.8	0.1	1.9
Total income statement impact	2.3	0.2	2.5
Revenue	98.8	35.5	134.3
R&D spend as % of revenue	7.0%	0.6%	5.3%

Avon Wins Prince Philip Award

Avon Rubber p.l.c. has won The Institute of Materials, Minerals and Mining (IOM³) Prince Philip Award for 'Materials in the Service of Mankind'.

Avon was selected as a company always striving to produce the best possible materials and products made from rubber; products recognised as the best by the people who use them.

Our heritage, including the manufacture of products used in the Second World War, and the two million people currently protected by these products, were the deciding factors in Avon receiving the award. It was decided that, on the centenary of the First World War, a company that produces a major product borne out of that conflict should be recognised for the contribution it has made to the protection of mankind.

Prince Philip presented the award to Avon on 10 November 2015.

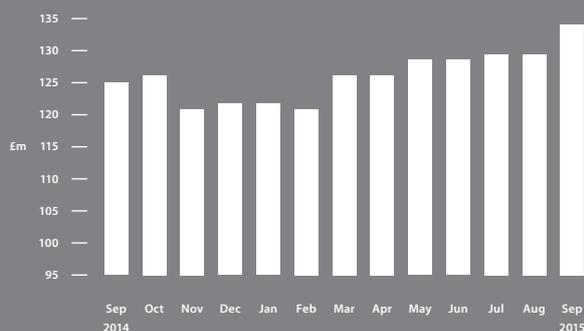


The Institute of Materials,
Minerals and Mining

Key Performance Indicators (KPIs)

The Group uses a variety of performance measures which are detailed below.

12 MONTH MOVING TOTAL REVENUE



REASON FOR CHOICE

This looks at revenue for a cumulative 12 month period and is used to identify the directional trend in revenue.

HOW WE CALCULATE

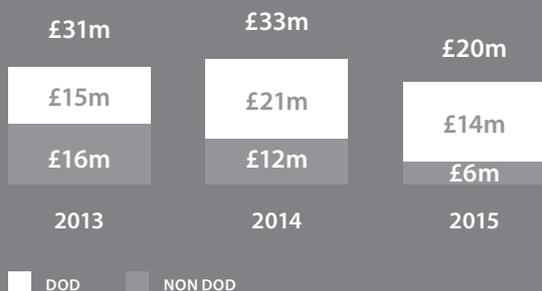
This is measured at sales value.

COMMENTS ON RESULTS

Revenue has increased in 2015, as both divisions have seen growth which has been supplemented by the translation effect of a stronger US dollar.



PROTECTION & DEFENCE ORDERS IN HAND



REASON FOR CHOICE

This demonstrates the orders in hand for fulfilment and future sales.

HOW WE CALCULATE

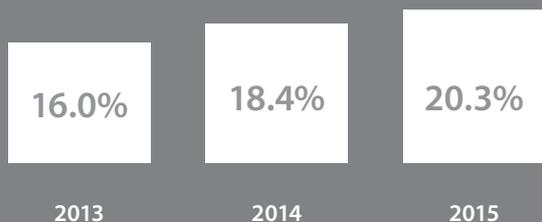
This is measured at sales value.

COMMENTS ON RESULTS

We focused on fulfilling our DOD order book in 2015, hence as expected our year end order book is lower than in prior years.



RETURN ON SALES



REASON FOR CHOICE

This measure brings together the combined effects of procurement costs and pricing as well as the leverage of our operating assets.

HOW WE CALCULATE

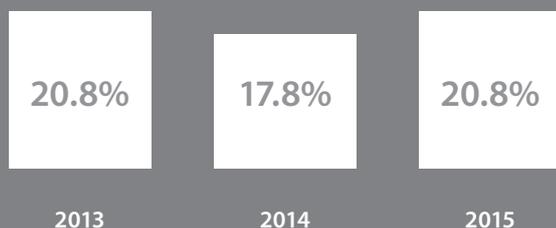
Earnings before interest, taxation, depreciation, amortisation, discontinued operations, defined benefit pension scheme costs and exceptional items (EBITDA) divided by revenue.

COMMENTS ON RESULTS

We have succeeded in growing profit in our Protection & Defence business through operational efficiencies and improved pricing on our long-term DOD contract. In Dairy, an increasing proportion of higher margin Milkrite sales contributed to an increased return on sales.



TRADE WORKING CAPITAL TO REVENUE RATIO



REASON FOR CHOICE

Management of working capital ensures that profit growth converts into cash generation.

HOW WE CALCULATE

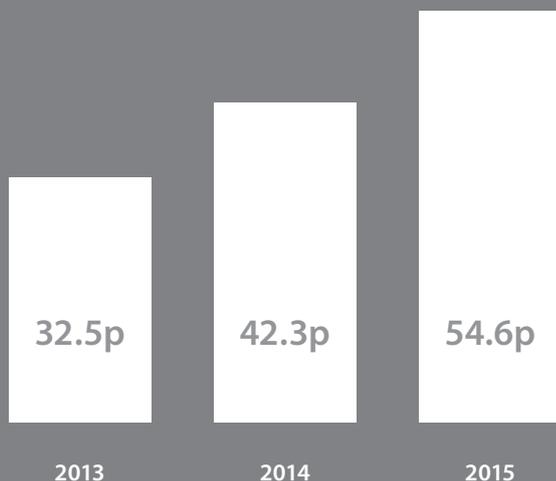
Trade working capital is defined as inventory + trade receivables - trade payables and advance receipts from customers, expressed as a percentage of revenue.

COMMENTS ON RESULTS

Overall, working capital was reasonably stable during the year but was impacted at the year end by both the strengthening of the US dollar and the acquisitions we made in the second half of the year.



DILUTED EARNINGS PER SHARE



REASON FOR CHOICE

This measure is designed to include the effective management of interest costs and the tax charge and measure the total return achieved for shareholders.

HOW WE CALCULATE

Profit after tax excluding the impact of discontinued operations, the amortisation of acquired intangibles, defined benefit pension scheme costs and exceptional items divided by the fully diluted number of ordinary shares.

COMMENTS ON RESULTS

Higher operating profit and a lower Group effective tax rate in 2015 have contributed to an improved EPS position.



Our non-financial KPIs in relation to health and safety and employees are detailed in our Environmental and Corporate Social Responsibility report on pages 34 to 42.

Principal risks and uncertainties

The Group has an established process for the identification and management of risk across the two divisions working within the governance framework set out in our corporate governance statement (see pages 48 to 52). Ultimately the management of risk is the responsibility of the Board of Directors, and the development and execution of a comprehensive and robust system of risk management has a high priority at Avon.

The Board's role in risk management includes promoting a culture that emphasises integrity at all levels of business operations, embedding risk management within the core processes of the business, approving appetite for risk, determining the principal risks, ensuring that these are communicated effectively across the businesses and setting the overall policies for risk management and control.

The principal risks affecting the Group are identified by the Group Executive team and reviewed by the Board.

The process involves a quarterly risk assessment and a process for ensuring that the Group's approach to dealing with individual risks is robust and timely. Each risk has priority tasks allocated to it that are the responsibility of the members of the Group Executive to deliver during the financial year. Regular sessions are held throughout the year to review progress in delivery of the priority tasks at an operational level.

Risk management within the business involves:

- Identification and assessment of individual risk
- Design of controls
- Testing of controls through internal audits
- Formulating a conclusion on the effectiveness of the control environment in place

We identify three main risk areas:

- **Strategic risks** – risks affecting the strategic aims of the business, or those issues that affect the strategic objectives faced by the Group
- **Financial risks** – issues that could affect the finances of the business both externally and from the perspective of internal controls
- **Operational risks** – matters arising from the operational activities of the Group relating to areas such as procurement, product development and interaction with commercial partners

The principal risks identified through the risk management process are listed on the following page in order of severity and with the categorisation given to them internally shown alongside. Mitigation, where possible, is shown by each identified risk area.

KEY

ARROWS INDICATE WHETHER THE LEVEL OF RISK RELATIVE TO THE OTHER RISKS OF THE BUSINESS HAS INCREASED (↑), DECREASED (↓) OR REMAINED THE SAME (→) DURING THE YEAR.

1 MARKET THREAT

BUSINESS RISK

- LACK OF SALES GROWTH
- LOSS OF MAJOR CONTRACT OR BUSINESS TO COMPETITOR E.G. PRICE COMPETITION IN THE DAIRY MARKET AND THE IMPACT OF MILK PRICES AND FEED COSTS

MITIGATION

- SAFETY APPROVALS AND SOLE SOURCE SUPPLY CONTRACTS PROVIDE SIGNIFICANT BARRIERS TO ENTRY
- CONTINUED INVESTMENT IN PRODUCT DEVELOPMENT TO ENSURE COMPETITIVE ADVANTAGE E.G. OUR IMPULSE AIR DAIRY LINERS WHICH OFFER SUPERIOR QUALITY AND MILK YIELD AND OUR INNOVATIVE PROTECTION PROJECT TO INTEGRATE OUR SUITE OF MASKS AND BREATHING APPARATUS
- SETTING THE STRATEGY FOR
 - i) SECURING US GOVERNMENT FUNDING;
 - ii) WINNING ADDITIONAL BUSINESS FROM EXISTING CUSTOMERS; AND
 - iii) CAPTURING NEW CUSTOMERS AND REVENUE STREAMS
- CONTINUING RECRUITMENT OF SALES PERSONNEL



LIKELIHOOD



IMPACT ON

SALES VOLUME & PROFITABILITY

2 PRODUCT DEVELOPMENT

BUSINESS RISK

- FAILURE TO MEET REGULATORY PRODUCT/SYSTEM REQUIREMENTS
- LACK OF INVESTMENT IN NEW PRODUCTS
- FAILURE TO IDENTIFY AND IMPLEMENT NEW PRODUCTS E.G. PROTECTION EQUIPMENT AND DAIRY PRODUCTS REQUIRE REGULATORY APPROVALS IN EACH MARKET IN WHICH THEY ARE SOLD. OBTAINING APPROVAL CAN LEAD TO DELAYS IN PRODUCT LAUNCHES OR SIGNIFICANT REWORK FOR DIFFERENT MARKETS

MITIGATION

- PUBLICATION OF AND ADHERENCE TO A TECHNOLOGY ROADMAP, INTELLECTUAL PROPERTY MANUAL AND NEW PRODUCT INTRODUCTION (NPI) PROCESS
- FOCUS ON DELIVERY OF PROJECTS IN THE ROADMAP ON TIME, TO BUDGET AND COST
- SALES AND PRODUCT DEVELOPMENT HAVE THE OBJECTIVE OF DELIVERING EXTERNAL FUNDING AND NEW REVENUE STREAMS



LIKELIHOOD



IMPACT ON

SALES VOLUME & PROFITABILITY

AS PROJECT FUSION NEARS COMPLETION, PRODUCT DEVELOPMENT IS NO LONGER CONSIDERED THE GROUP'S HIGHEST RISK. TALENT MANAGEMENT IS CONSIDERED AN INCREASINGLY IMPORTANT PRIORITY FOR THE BUSINESS. DUE TO THE ACQUISITION ACTIVITY, INTEGRATION RISK HAS BEEN ADDED. THE REMAINING RISKS HAVE BEEN RE-ORDERED ACCORDINGLY.

Principal risks and uncertainties (continued)

3 TALENT MANAGEMENT

BUSINESS RISK

- INSUFFICIENT SKILLS OF EMPLOYEES
- POOR ENGAGEMENT AND MORALE
- DYSFUNCTIONAL ORGANISATIONAL STRUCTURE/REPORTING LINES

MITIGATION

- FOCUS ON CELEBRATING AND REWARDING ACHIEVEMENTS AND PROMOTING POSITIVE ACTION BY EMPOWERING OUR PEOPLE AND ENGAGING AND INVOLVING THEM THROUGH EFFECTIVE COMMUNICATION, INCLUDING CEO ANNUAL PRESENTATIONS TO EACH LOCATION
- CONTINUE TO REALIGN TEAMS AND STRUCTURES, RECRUITING WHERE APPROPRIATE TO ENSURE THAT AS THE BUSINESS GROWS THE STRUCTURE REMAINS FIT FOR PURPOSE
- ACTIVE MANAGEMENT BY SUCCESSION PLANNING, THE ANNUAL PERFORMANCE MANAGEMENT PROCESS AND THE REWARD AND INCENTIVES STRUCTURE



LIKELIHOOD



IMPACT ON
MEDIUM-TERM COST & QUALITY ISSUES

4 BUSINESS INTERRUPTION – SUPPLY CHAIN

BUSINESS RISK

- DEPENDENCY ON SOLE SUPPLIER/SUBCONTRACTOR
- AVAILABILITY/QUALITY OF RAW MATERIALS
- FAILURE TO MANAGE DISTRIBUTORS AND DEALERS CORRECTLY

MITIGATION

- PROACTIVE APPROACH TO THE APPROVAL OF SECOND SOURCES AND REDUCING COST THROUGH PURCHASING INITIATIVES
- ROBUST SUPPLIER QUALITY MANAGEMENT PROCEDURES
- NEGOTIATIONS WITH CUSTOMERS TO PASS ON INCREASES IN RAW MATERIAL PRICES



LIKELIHOOD



IMPACT ON
COSTS, SALES & PROFITABILITY

5 ACQUISITION INTEGRATION

BUSINESS RISK

- LOSS OF KEY CUSTOMERS
- LOSS OF KEY EMPLOYEES
- EROSION OF INTELLECTUAL PROPERTY BASE
- FAILURE TO INTEGRATE MANAGEMENT REPORTING STRUCTURES AND DISCIPLINES

MITIGATION

- PREPARATION AND EXECUTION OF CROSS-FUNCTIONAL INTEGRATION PLANS
- EARLY EMPLOYEE ENGAGEMENT BY ON-SITE PRESENCE OF AVON MANAGEMENT
- EARLY INTEGRATION INTO EXISTING INTERNAL CONTROL FRAMEWORK

NEW

LIKELIHOOD



IMPACT ON
SALES, COSTS & PROFITABILITY

6 QUALITY RISKS AND PRODUCT RECALL

BUSINESS RISK

- POOR QUALITY SYSTEMS ALLOW FAULTY PRODUCT TO REACH CUSTOMER
- PROCESS/MATERIAL/EQUIPMENT INADEQUACY E.G. OUR PROTECTION PRODUCTS ARE SAFETY CRITICAL THEREFORE ALL PRODUCT REACHING THE END CONSUMER MUST MEET SPECIFICATION

MITIGATION

- FOCUS ON SIX SIGMA MANUFACTURING DISCIPLINES, SITE QUALITY PROCEDURES AND EMPLOYEE ENGAGEMENT
- FOCUS ON PRODUCT DEVELOPMENT TO IMPROVE DESIGN OF PRODUCTS
- CONTINUE WITH EQUIPMENT AND PROCESS IMPROVEMENTS



LIKELIHOOD



IMPACT ON

FINANCIAL LOSS, REPUTATIONAL DAMAGE

7 CUSTOMER DEPENDENCY

BUSINESS RISK

- OVER RELIANCE ON A FEW CUSTOMERS E.G. US GOVERNMENT, DAIRY OEMS
- POOR CUSTOMER RELATIONSHIPS AND COMMUNICATION DUE TO INCOMPLETE UNDERSTANDING OF CUSTOMERS OR FAILURE TO MEET EXPECTATIONS

MITIGATION

- FOCUS ON CUSTOMER SERVICE
- GROWING SALES TO OTHER CUSTOMERS E.G. CONTINUING TO EXPAND PROTECTION SALES INTO NEW COUNTRIES AND MARKETS AND EXPANDING DAIRY SALES INTO DEVELOPING MARKETS
- SETTING AND REGULAR MONITORING OF SALES BUDGETS AND MAJOR SALES PROSPECTS BY THE GROUP EXECUTIVE AND THE BOARD



LIKELIHOOD



IMPACT ON

SALES AND PROFITABILITY

8 NON-COMPLIANCE WITH LEGISLATION

BUSINESS RISK

- FAILURE TO COMPLY WITH EXPORT CONTROLS, THE INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR), BRIBERY ACT AND PRODUCT APPROVALS

MITIGATION

- REGULAR FOCUS AND REVIEW OF THE EXPORT AND ITAR CONTROL FRAMEWORK, NPI PROCESS AND THE INTERNAL CONTROL PROCEDURES
- INTERNAL AND EXTERNAL AUDIT



LIKELIHOOD



IMPACT ON

FINANCIAL LOSS, REPUTATIONAL DAMAGE

Trends affecting the future

Protection & Defence – DOD spending

Our Protection & Defence business is well placed to meet the challenges of a continuing period of instability in the global defence market. Providing safety-critical equipment to the warfighter under a long-term sole-source contract with the DOD provides a degree of certainty in our biggest market, while our rapid growth in homeland security and military markets around the globe demonstrates the success of our strategy of investing in sales, marketing and product development.

In May 2008 we were successful in obtaining a single-source \$112m, five year full rate production (FRP) contract from the DOD for the M50 military respirator at the supply rate of 100,000 mask systems per annum. The DOD also exercised its 'requirements' option to extend the order for a further five years allowing it to take up to a further 200,000 mask systems per annum, resulting in total potential quantities of up to 300,000 mask systems per annum over a ten year period.

Budget funding for our ten year sole-source respirator programme with the DOD has been largely unaffected by the current economic instability although the procedural process of doing business with the US Government has slowed. Despite continued downward pressure on military budgets globally and in particular uncertainty about the size and timing of the approval of DOD budgets, we expect spend on PPE for the warfighter to remain stable, although the timing of orders may again be unpredictable. At the year end we carried forward orders for 50,000 M50 masks for delivery in 2016. We also expect further mask orders in our 2016 financial year from 2016 DOD budgets.

The buying pattern of filter spares has been less stable and predictable as is often the case when a new product is first fielded to the front line. The combination of filling the logistics chain and replacement of filters which have been used or where the shelf-life has expired provides a long-term source of demand for filter spares. Avon is now one of two sources for filters for the DOD.

Dairy – market conditions

The market for our consumable product can be affected by macro issues that impact farmers' short-term cash flow and thus their purchasing patterns. The milk price, which determines the farmer's revenue, is impacted by both short-term commodity markets (it is a traded item in the US) and the medium-term cycle of cow population, as herds are bred or culled. Feed is the farmer's major input cost and the price of feed is determined by the success or otherwise of the harvest and competing demand for the crops.



AEF celebrates 30 years

Avon Engineered Fabrications (AEF), a division of Avon Protection Systems, is celebrating 30 years as a major contractor to the DOD. AEF is recognised as an industry leader in flexible fabricated solutions.

Based in Mississippi, it was opened in 1985 as the only specialised manufacturer of hovercraft skirt systems in North America.

Today the business is working with the Navy to develop the next generation skirt system and provides a variety of engineered solutions to the DOD and commercial markets.

Group – treasury and exchange rates

The Group uses various types of financial instruments to manage its exposure to market risks which arise from its business operations, full details of which are included in note 19 of the financial statements. The main risks continue to be movements in foreign currency and interest rates.

The Group's exposure to these risks is managed by the Group Finance Director who reports to the Board. The Group faces translation currency exposure on its overseas subsidiaries and is exposed in particular to changes in the US dollar and, following the acquisition of InterPuls in 2015, the euro.

Each business hedges significant transactional exposure by entering into forward exchange contracts for known sales and purchases. The Group reports trading results of overseas companies based on average rates of exchange compared with sterling over the year. This income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the income statement is exposed to the following:

- Based on the 2015 results a 5¢ movement in the average US dollar rate would have impacted reported operating profit by £0.7m (2014: £0.4m) and profit after tax by £0.6m (2014: £0.3m).

The balance sheets of overseas companies are included in the consolidated balance sheet based on the local currencies being translated at the closing rates of exchange. Balance sheet translation exposure can be partially hedged by matching either with foreign currency borrowings within the subsidiaries or with foreign currency borrowings which are held centrally.

At the end of the year the asset exposure was 10% hedged (in 2014 the asset exposure was not hedged as there were no borrowings). As a result of the remaining balance sheet exposure, the Group was exposed to the following:

- Based on the 2015 balance sheet a 5¢ movement in the year-end US dollar rate would have impacted Group net assets by £1.3m (2014: £1.4m).
- Based on the 2015 balance sheet a 5¢ movement in the year-end euro rate would have impacted Group net assets by £0.8m (2014: nil).

The Group is exposed to interest rate fluctuations and with net debt of £13.2m (2014: net cash of £2.9m), a 1% movement in interest rates would impact the interest costs by £0.1m (2014: no impact as the Group had net cash). The Group assesses the need to obtain the best mix of fixed and floating interest rates in conjunction with the maturity profile of its debt. There were no fixed interest borrowings at the year end (2014: £nil).



Andrew Lewis

Andrew Lewis
Interim Group Chief Executive
17 November 2015



Sarah Matthews-DeMers

Sarah Matthews-DeMers
Associate Group Finance Director
17 November 2015

Annual report on environmental and corporate social responsibility

The sustainability of the business is directly impacted by the environment in which we operate. In order to secure the future of the business we are committed to contributing to economic, social and environmental sustainability both locally and globally. The Directors acknowledge that this involves balancing the interests of shareholders, employees, customers, suppliers and the wider communities in which our businesses operate.

As we continue to work to strengthen our position as the world leader in the markets in which we do business, we will also seek to honour our obligations to society. At many of our sites we remain one of the largest employers in the local area. As an integral part of these communities we ensure our impact is one of being an economic, intellectual and social asset.

We are committed to minimising the impact of our operations on the environment. We encourage all employees to think about ways of modifying their behaviour to reduce our impact on the environment by, for example, reducing waste, cutting out unnecessary travel and saving water and energy.

As a company with many manufacturing sites a forward thinking approach to the health and safety of our employees is of paramount importance and we constantly endeavour to improve our systems to maintain our excellent health and safety record.

We strive to:

- Manage the Group as a sustainable business for the benefit of shareholders and other stakeholders

- Develop and motivate our employees, ensuring they are fully engaged in the Group's strategy
- Minimise waste and emissions that contribute to climate change
- Maintain our excellent standards of health and safety in the workplace

Code of Conduct

A revised Code of Conduct (the Code) was released at the start of the year. The Code sets out the values and standards of behaviour expected from employees with a guide as to what is expected of them as representatives of Avon and provides information on how to report concerns.

All those working for or on behalf of Avon are required to confirm each year that they have read and understood the Code.

Ethics and anti-corruption

The Code covers a wide range of rules and responsibilities for employees to ensure they carry out their business activities in a way that will attract the respect of those they deal with and will not bring Avon's reputation into disrepute. This includes complying with the laws and regulations in the countries in which we operate and do business. The Code also contains guidance on avoiding conflicts of interest, confidentiality, adherence to export controls, our approach to gifts and hospitality, bribery and corruption and managing relationships with third parties.

We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. We implement and enforce effective systems to uphold our zero tolerance approach to bribery and corruption. To ensure we only



A visit to Melksham Oak School

Russell Edwards, Design Engineer at Avon Protection in Melksham, paid a visit to a local school, Melksham Oak, to talk about what Avon does, the range of design and technology roles at the company, and the education Russell needed to become a design engineer there.

A presentation on Avon was followed by the opportunity to try on some current masks, the M50, FM53, Viking Z Seven, and FM12, and to test variations of a new prototype.



work with third parties whose standards are consistent with our own, all agents and third parties who act on behalf of the Group are obliged by written agreement to comply with the standards set out in the Code. A programme of supplier audits exists to ensure suppliers adhere to Avon's standards.

Upholding the Code is the responsibility of all employees at Avon. We encourage everyone to report any behaviour which may be a breach of the Code, or is unethical or illegal. This is achieved by fostering a culture of openness and accountability and by providing a formal procedure that enables any individual working for the Group to raise breaches of policy or malpractice directly at the highest level.

A copy of the Code is available to all employees in addition to being available on the Group website.

Human rights

Avon is fully committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with anyone who fails to uphold these standards.

Environmental responsibility

At the start of the year we set significant environmental improvement goals. Each site has delivered a number of improvements:

Cadillac, US

- Program of installing motion light sensors to save energy and money
- Installed grounding clamps and bars at work stations in areas where chemicals are transferred from one container to another

Picayune, US

- Boiler upgrade, installed water treatment to eliminate scale resulting in less water and gas used

Melksham, UK

- Recycling of both used machinery oil and cooking oil introduced in 2015
- Used pallets being upcycled for external buildings within Hampton Park West
- Automated trade effluent dosing systems introduced to Cluster Exchange area
- An external energy survey conducted at our Melksham site revealed that excessive power was being fed into our building. Our power supplier has subsequently reduced our supply to the input level required
- Introduction of extra LED lights within the production area being investigated for 2016
- Health, Safety & Environmental employee representatives attending safety and environmental meetings with Trade Union and management

Recycling

At all of our sites we continue to recycle:

- Waste cardboard
- Paper
- Used products
- Toners and inks
- Waste polythene
- Metal
- WEEE

In the UK the government's reluctance to continue subsidies for the recycling of cured rubber in road surface repairs, equestrian centres and children's playground surfaces into 2015 has led to many rubber recycling companies ceasing to trade. Cured rubber was also banned from being used as a fuel source for power stations in Europe to meet emissions targets. Therefore, all of our cured rubber waste produced throughout 2014/15 was sent to landfill. This has been a significant setback to achieving our annual target of 85% recycled waste.

Below is just one example of upcycling at Hampton Park West with previously used pallets being reused to make a lean-to shed, which houses our trade effluent automatic dosing system.



Environmental concerns

We have experienced no external environmental incidents or concerns throughout 2014/15 at any of our locations.

Energy

The three main energy sources of electricity, gas and water used at Hampton Park West are being monitored on a weekly basis for trends which differ from the normal distribution. The aim of this is to recognise spikes in usage and implement improvements to reduce energy consumption on these processes. It is hoped to roll this approach out to the US sites in due course.

ISO 14001

External auditors visited Avon in 2015 to conduct a re-certification of our ISO14001 standard. This audit was conducted to ensure the integration of Avon Underwater Systems, Poole and Hampton Park West's generic Environmental Management System was appropriate. The audit was very successful with no deficiencies recorded. Two observations were noted and addressed immediately. We have also undertaken two subsequent surveillance visits, both resulting in a clean bill of health.

What is ISO 14001?

ISO 14001 was developed to provide a management system to help organisations reduce their environmental impact.

The standard provides the framework for organisations to demonstrate their commitment to preserving and protecting the environment by:

- Reducing harmful effects on the environment
- Providing evidence of continual improvement of environmental management

Environmental management system

By achieving ISO 14001 certification Avon is able to clearly demonstrate its commitment to reducing waste and recycling materials where appropriate. The benefits to the organisation are not just in cost savings; ISO 14001 accreditation is also beneficial when tendering for new business.

Legislation

With evolving environmental legislation within the EU, US and the UK, Avon ensures compliance through regular environmental

updates from its membership to the Institute of Environmental Management and Assessment (IEMA).

Mandatory carbon reduction scheme

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 requires quoted companies to include within their annual report details of greenhouse gas emissions for which they are responsible and other environmental matters for which key performance indicators are selected.

Avon has employees in each of its facilities who are responsible for collecting and acting on the data. The collected data allows the organisation to monitor and examine carbon emission trends.

Greenhouse Gas (GHG) emissions

	Description	GHG emissions in tons 2012/13	GHG emissions in tons 2013/14	GHG emissions in tons 2014/15
Scope 1	Mandatory reporting of emissions directly from our operations which include fuel in our vehicles and refrigeration leakage	7	5	5
Scope 2	Mandatory reporting of emissions from electricity, gas and water usage at each facility	8,496	8,185	9,206
Total		8,503	8,190	9,211
Ratio of emissions to revenue		7%	7%	7%



Belcamp self-defence challenge

The community group 'Streetwise' recently came to the Belcamp office in the US to teach basic self-defence techniques and how to recognise, react to and survive an attack.

A team of twelve Avon employees and family members took part in the workshops. The day involved lectures and hands-on defence methods including defensive stance, voice, jab/cross, palm and knee strikes, and wrist escape.



Facility	2013/4 Scope 2 Emissions	2014/5 Scope 2 Emissions	2013/4 Average Headcount	2014/5 Average Headcount
Melksham	2,686	3,117	205	205
Cadillac	2,066	2,020	304	275
Picayune	1,019	1,061	37	43
Belcamp	155	148	44	44
Johnson Creek	2,259	2,860	160	160

Health and Safety (H&S)

Over the year monthly global H&S meetings are held at the UK and US sites. Through information sharing, knowledge and ideas we are able to implement best practice across our global sites.

Monthly meeting reports are displayed in our facilities and on our Avon Communication Exchange (ACE) intranet site for all employees and invited visitors to view.

Our management teams put considerable focus on potential hazard reporting. This reporting ensures that any potential hazards are reported early and appropriate action taken before they cause an incident or an accident. These actions are key to ensure our facilities are safe places in which to work.

Safety teams

A best practice initiative from our Cadillac site, which we will roll out across all sites next year, is that of empowering our employees to become more involved in health and safety decisions and best practices. Safety teams will be established at each of the facilities to conduct internal audits, inspections and lead by example, further increasing the positive safety culture throughout our organisation.

Cadillac, US

- Safety guards installed and updated in all high areas including roof and mezzanines.
- Established a new lockout program for mechanical and electronic equipment to ensure only fully trained operators are able to operate equipment.
- Job safety analysis conducted at all production stations. Training programmes implemented for contractors and employees on departmental safety data sheets, PPE guidelines and hazard assessment.
- Improved fire exit signage.
- All compressed air containers are now labelled and securely stored according to local regulations.

Picayune, US

- Improvements made include removing unsafe scaffolding, installing appropriate permanent fixings for the propane tank and installing a new concrete wheelchair ramp in front of the building.
- Emergency Action and First Aid Responder training conducted and a defibrillator installed.
- New forklift paths and parking were laid out, rerouting them away from pedestrian spray booth areas.
- Ergonomic upgrade to buffers to reduce risk of injury to operators when buffing.
- Created a safety calendar to track events, schedule trainings, and inspections.
- Plant wide 5S activities undertaken.

Melksham, UK

- No reportable accidents.
- Legionella two yearly legal requirement risk assessments completed with appropriate control measures implemented.
- Lowest number of recorded accidents at Hampton Park West for five years.
- Successful survey from Wiltshire Fire Brigade who were very happy with the emergency systems at Hampton Park West.
- A second visit from the Fire Brigade in October enabled ARTIS's sour gas testing facility to be signed off as safe to operate.
- Formal H&S induction for new employees introduced.



Mississippi State University Center for Safety and Health conducted an environmental audit at Picayune specifically to assess toluene exposure.

It was found that toluene levels were high but within the OSHA allowable limit. As an engineering control a fan was installed above the spray area to dissipate the toluene fumes, reducing exposure to employees and visitors to an acceptable level.

Corporate social responsibility

Investing in our people

Our success depends on our people. The Group recognises the importance of our employees in helping us to achieve our corporate goals.

We are committed to providing a working environment where everyone feels respected and valued and we pursue equality of opportunity in all employment practices, policies and procedures regardless of race, nationality, gender, age, marital status, sexual orientation, disability and religious or political beliefs. A formal diversity policy is in place, setting out our approach to diversity. A copy can be found in the corporate governance section of our website.

The Group aims to support all employees to develop to their full potential and we are committed to recognising, encouraging and developing talent across our business. We encourage talented employees by matching the right people to the right roles and by ensuring professional development opportunities are available throughout their employment within the Group. Our flagship global Professional Development Programme is now in its second year. This enables participants across our business to manage their own career development through setting self-learning objectives with the help and guidance of a mentor from within the organisation and an external facilitator.

We strive to be a great place to work for all our employees and it is under this banner that we have reinvigorated and re-launched our CREED recognition and reward programme. The Group's core values are embodied by the acronym CREED, a set of principles and cultural values which are rigorously pursued and adhered to across the Group.

All employees have a part to play in ensuring Avon remains a great place to work. One of our corporate values is to motivate our people through appropriate recognition and reward programmes. Under our CREED reward programme, employees can nominate colleagues whom they believe embody one or more of the CREED values in their job performance. Each month all those nominated receive a recognition award from the Group, with a quarterly and annual winner selected from those nominated.



	Target	2015	2014
Response rate	>50%	74%	45%
Avon is a great place to work	>60%	77%	75%

- C** Understanding and delivering our **CUSTOMER** (internal or external) needs and expectations
- R** Motivating our people through appropriate **RECOGNITION** and reward programmes
- E** Providing responsibility through meaningful employee **EMPOWERMENT**
- E** Ensuring a friendly and **ENGAGED** environment that embraces worthwhile communications where innovation is encouraged
- D** Recognising the value of cultural **DIVERSITY** and talent across our business



The new graduate scheme

The new Avon Rubber graduate scheme is based on a two year 'work & learn' programme to bring new talent to our organisation.

Core elements include strategy, design and innovation, operations and sales and marketing.

The first person to be selected for the scheme is Jack Wallman, a chemistry graduate from University of Bristol.



The gender of our staff at 30 September 2015 was as follows:

	Male	Female
Non-Executive Directors	3	-
Executive Directors	2	-
Senior Managers	16	4
Other Employees	503	324
Total	524	328

Six of the senior managers (four male, two female) are also directors or officers of subsidiary undertakings.

Nurturing talent

In the UK we support student engineers by enabling two second year university students to spend a year as members of our respirator design team, working on new product development. In the US, we support a number of student summer placements and internship placements where students are able to alternate college semesters with full-time work semesters from their freshman year to graduation. We are also able to provide additional opportunities through secondments between our global sites.

The students help us tackle real-world engineering problems as they learn about the engineering profession as well as having the potential for long-term employment within Avon. A number of our student placements have taken up full time employment with the Group following their graduation and contribute significantly to Group achievements.

We operate group-wide employee share plans to encourage our staff to participate in the future of the Group through share ownership. All UK employees are entitled to participate in the Share Incentive Plan (SIP) whilst US employees are invited to join the Employee Stock Purchase Plan (ESPP). Both provide the opportunity to purchase shares through payroll deductions.

Employee Opinion Survey

We understand that to provide growth and expand our future opportunities, we need a happy and motivated workforce.

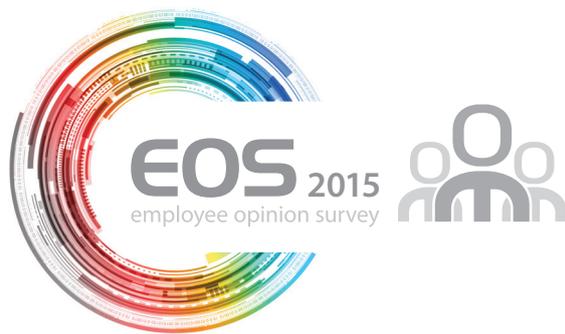
Understanding and acting on the concerns of our employees is the key to our future and we encourage active engagement across our sites throughout the year. Our annual employee opinion survey gives the opportunity for employees to give anonymous feedback to management, which we assess and use to inspire improvement plans.

The survey helps to ensure Avon listens to its employees and strives for continuing improvement. The responses are evaluated by each level of management and it will continue to be an annual forum that helps Avon invest in its people and drive success.

The survey results are another of the Group's key performance indicators.

We listened to the 2015 results and acted to make positive change across the company:

- The continuation of our 'Professional Development Programme' will help employees develop to their full potential
- The launch of our Great Place to Work employee portal
- Improved employee communications, including new employee newsletter, 'Exchange'



Community and charitable contributions

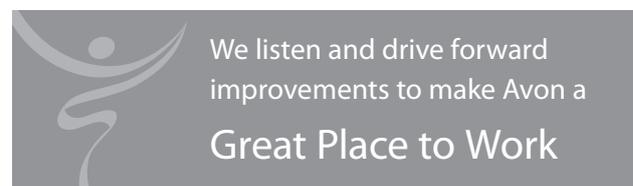
We aim to work with and for the communities in which we operate, recognising our role as a major employer in our geographical site locations. We are aware of the impact the Group has on its local environment and seek to contribute to its economic, social and environmental sustainability.

Engaging with, and giving back positively to, the local community ensures that we are supporting our employees, their friends and families. We also work with many charitable organisations who are involved in some way with the areas of business in which we operate.

We recognise the value provided to local and wider communities by members of the reserve forces and those in public service.

We are proud to have employees serving and a number of our employees are part of service families. We support their commitment and dedication to serve.

In the US we support our employees and their families in extracurricular activities through sponsoring local sports and school teams. In the UK, we have regular charitable giving events aimed at raising funds for both local and national causes.



Listed below are a few examples of the organisations we have helped this year across our US and UK sites:



Wiltshire Community Foundation

The Company established a fund with a local community charity in Wiltshire, the Wiltshire Community Foundation (WCF), in 1993. This fund was invested by the WCF and the interest earned to date has been used to support a wide range of charities and groups in the Wiltshire area.

Since 2001, £39,072 has been donated from this fund to the local community surrounding the Melksham headquarters.

In total 37 projects have been supported. Here are a few examples:



Wiltshire Mind received £1,000 towards a 'You in Mind' support centre that offers both group and one-to-one advice and support sessions.



HELP Counselling Services offers its services to any adults (16+ years) who are referred, or self-referred to us from within the community. Their clients' lives may be disrupted by a variety of problems such as those to do with family or marital

relationships, depression, anxiety, stress or abuse. Avon's grant was used to pay for counselling supervision.



The programme provides nearly 500 children and young people with profound and multiple learning disabilities the opportunity to take part in a music festival. This builds their self-awareness and confidence, encourages creativity and develops music and performance skills. The grant of £420 was used for artist fees, workshops costs and performance costs.

Michigan Advanced Technician Training

Cadillac supports a collaboration with the Michigan Economic Development Corporation and Baker College of Cadillac with the MAT² programme.

MAT², the Michigan Advanced Technician Training Program, is an innovative, industry-driven approach to education. Developed in conjunction with global industry technology leaders to combine theory, practice and work to train a globally competitive workforce, MAT² addresses two critical issues facing the manufacturing and technology industries; a widening skills gap and an ageing workforce.

This initiative is similar to an apprenticeship programme, where students alternate between classroom instruction and on-the-job training, gaining the necessary hands-on skills and real-world experiences for them to become successful and productive members of the workforce.

We are currently supporting one student through this three year commitment and are looking forward to the skill set he will bring to Cadillac on completion of the programme.



Feeding America Food Truck

Our Cadillac site sponsored the local Feeding America Food Truck. This bi-weekly programme provides over 100 families in the local area with fresh produce and other food and is primarily funded by local donations. Our Cadillac team members also volunteered their time and energy to help hand out food and support the event. The team is planning to continue to volunteer on a bi-weekly basis to support this valuable community cause.



Wiltshire Scrapstore

With recycling high on Hampton Park West's agenda we are working with a local voluntary business, Scrapstore, which accepts waste that can be reused rather than sent to landfill. Scrapstore takes in used furniture, old equipment, composite materials and excess stock, and gives it to schools, colleges and nurseries for just the cost of the transportation.

We recently had a visit from some of the Scrapstore staff who amazed us with their vision for some of our scrap material:

- Euro tunnel anti vibration strips which have extruded grooves, used to hold marble race championships in primary schools
- Attaching dock fender off-cuts to sharp edges in the playground to protect vulnerable children from injuring themselves should they fall
- Webbing from the moulding process - used to make rubber animals
- Granulated rubber - used in areas which could cause injury to children
- Extruded components - used as seating



Africa fundraising trip

Avon recently raised funds towards UK-based charity Go Make a Difference (GoMAD) to support Georgia Fraser, a placement student, to do charity work in Musoma, Tanzania.

The charity offers medical education, supplies and care to residents, and funds housing adaptations for those who need it including easier access for people disabled by leprosy. They also visit the local orphanage to help care for the children there, providing them with valuable play time and attention.

Georgia worked on a range of projects including building water tanks, safe housing, pit latrines, animal pens and many more whilst she was in Tanzania.



Cricket Without Boundaries

Cricket Without Boundaries works to educate the youth of Sub-Saharan Africa about the dangers of HIV and AIDS and how best to avoid infection. The scale of the problem is huge with HIV rates in some areas of Africa still running at over 40%, the ingrained attitudes within the population at large to poverty and disability, and both national and local governments either unwilling or unable to tackle the problems that exist.

Cricket coaching is used to engage kids while important messages are delivered in an enjoyable and engaging format, hopefully cementing the knowledge to a much greater degree than simply lecturing. The charity aims to make a positive impact, even if only for an hour or two whilst the kids play cricket or people from the charity simply spend time with them.

Avon sponsored a local cricket coach Jon Haines of Goatacre Cricket Club who went as a volunteer on a three week Cricket Without Boundaries trip to Kenya to coach over 4,000 children, train over 50 local coaches, and form strong links with orphanages and charities along the way. Avon's contribution was used to purchase cricket equipment which was left with the local children as a lasting legacy of the trip.



ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

Listed below are a few more examples of the organisations we have helped this year across our US and UK sites:

- Cadillac Firefighters
- Soccer Field Improvement
- Creative Embroidery
- Friends of the Library
- Mercy Hospital surgical wing
- Pines Pin Busters
- Wexford Habitat sponsorship of a habitat house
- Wexford County historical museum restoration
- American Red Cross - Service to Armed Forces
- Cadillac Community Schools
- Cadillac Area Festival hospice motorcycle ride
- First Baptist Church shepherd's table
- United Way - Corp Pledge
- Cadillac Leadership lakefront playground
- Cadillac Area Hockey
- Franklin PTO technology upgrade
- Tight Lines for Troops
- Center Lake Fund field trips for school kids
- French American Chamber table sponsorship for Comerica
- Wexford Missaukee CTC
- CASA - Sponsorship of baseball team
- JDRF - Diabetes Ride sponsorship
- Cadillac Leadership playground project
- Oasis Family Resource cigar dinner
- Alex Harrison Memorial bullying stance
- DbarD Ranch Ride for A Cure, Spectrum Health Cancer Center
- Feeding America Food Truck
- Army Cricket Officials Association
- Combined Services Cricket Officials Association India 2013 tour
- British Mastitis Conference
- KL National Herdsman's Conference
- National Mastitis Council Regional
- Cancer Research UK
- 1st Bowerhill Scout Group, Melksham
- Alzheimer's Support, Trowbridge
- Splash Wiltshire, Melksham
- Children's Hope Charity
- Melksham and Corsham Gateway Club

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
17 November 2015



BOARD OF DIRECTORS



DAVID EVANS
CHAIRMAN

"OUR STRATEGY HAS DELIVERED STRONG ORGANIC GROWTH IN 2015. THE COMPLETION OF STRATEGIC ACQUISITIONS COMBINED WITH INTERNAL PRODUCT DEVELOPMENT WILL ALLOW US TO INTEGRATE TECHNOLOGIES, PROVIDING INCREASED FUTURE OPPORTUNITIES."

Aged 69. David took up the position of Chairman of the Board in February 2012 having served on the Board from the time of his appointment in June 2007. He has been working in the defence sector for over 30 years and has extensive knowledge of the US market. David spent 17 years with GEC-Marconi before joining Chemring Group PLC in 1987 and was appointed Chief Executive in 1999. He remained on the Chemring Board as a Non-Executive Director following his retirement in April 2005 but stood down from this role during 2012 to focus on his role as Chairman of Avon Rubber p.l.c. He was previously a Non-Executive Director of Whitman PLC.



ANDREW LEWIS
**INTERIM GROUP
CHIEF EXECUTIVE**

Aged 44. Andrew joined Avon in September 2008 as Group Finance Director. He holds a first class joint honours degree in Mathematics and Accounting from the University College of North Wales, Bangor and is a Fellow of the ICAEW. Andrew was awarded the Young Finance Director of the Year Award at the ICAEW Financial Directors' Excellence Awards in May 2011. He gained a wide range of international experience as a Director at PricewaterhouseCoopers in Bristol and New Zealand before joining Rotork p.l.c. as Group Financial Controller. On 1 October 2015 following the retirement of Peter Slabbert, Andrew was appointed Interim Group Chief Executive for the two months to 1 December 2015.



PIM VERVAAT
**NON-EXECUTIVE
DIRECTOR**

Aged 50. Pim joined the Board in March 2015 and chairs the Audit Committee. Pim is Chief Executive of RPC Group Plc, the UK based manufacturer of rigid plastic packaging and a FTSE 250 listed company. Pim was appointed RPC's CEO in 2013, having previously been their Finance Director since 2007. Prior to this, Pim worked for Dutch metals producer, Hoogovens Groep, before joining Dutch ship propulsion producer Lips Group as Chief Financial Officer in 1996. In 1999 he returned to Hoogovens Groep (acquired by Corus) and in 2004 became divisional Finance Director of the £3bn turnover Corus Distribution and Building Systems Division.



RICHARD WOOD
**NON-EXECUTIVE
DIRECTOR**

Aged 70. Richard joined the Board in December 2012. Richard is a graduate Chartered Chemical Engineer. He worked for ICI for 23 years and is a former Managing Director of ICI Seeds UK. Following this time he entered the pharmaceutical industry, firstly as Chief Executive of Daniels Pharmaceutical Limited until it was acquired by Lloyds Chemist plc, and then as Managing Director of a Lloyds division. He was Chief Executive of Genus plc for 15 years until his retirement in September 2011. He is currently Chairman of Atlantic Pharmaceuticals Limited, Innovis Limited and Silent Herdsman Holdings Limited.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

The Directors submit the annual report and audited financial statements of Avon Rubber p.l.c. ('the Company') and the Avon Rubber group of companies, ('the Group') for the year ended 30 September 2015. The Company is registered in England and Wales with company registration number 32965.

Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments is set out on pages 11 to 33.

Financial results and dividend

The Group statutory profit for the year after taxation amounts to £13,666,000 (2014: £10,811,000). Full details are set out in the Consolidated Statement of Comprehensive Income on page 78.

An interim dividend of 2.43p per share was paid in respect of the year ended 30 September 2015 (2014: 1.87p).

The Directors recommend a final dividend of 4.86p per share (2014: 3.74p) resulting in a total dividend distribution per share for the year to 30 September 2015 of 7.29p (2014: 5.61p).

Share capital

As at 17 November 2015, the issued share capital of the Company was 31,023,292 ordinary shares of £1 each. Details of the shares in issue during the financial year are set out in note 20 of the financial statements.

The rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association (Articles), copies of which can be obtained from Companies House or by writing to the Company Secretary. Shareholders are entitled to receive the Company's reports and accounts, to attend and speak at general meetings, to exercise voting rights in person or by appointing a proxy and to receive a dividend where declared or paid out of profits available for that purpose. There are no restrictions on the transfer of issued shares or on the exercise of voting rights attached to them, except where the Company has suspended their voting rights or prohibited their transfer following a failure to respond to a notice to shareholders under section 793 of the Companies Act 2006, or where the holder is precluded from transferring or voting by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers. The 887,315 shares held in the names of the two Employee Share Ownership Trusts on a jointly owned basis or as a hedge against awards previously made or to be made pursuant to the Performance Share Plan are held on terms which provide voting rights to the Trustee and, in certain circumstances under the terms of joint ownership awards, to the recipient of the awards.

The only significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid are the Company's revolving credit facility agreement and the Performance Share Plan.

The unsecured revolving credit facility of up to \$40 million provided by Barclays Bank PLC and Comerica Bank contains a provision which, in the event of a change of control of the Company, gives the lending banks the right to cancel all commitments to the Company and to declare all outstanding credit and accrued interest immediately due and payable.

A change of control will be deemed to have occurred if any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains direct or indirect control of the Company.

Under the rules of the Performance Share Plan, on a takeover a proportion of each outstanding grant will vest. The number of shares that vest is to be determined by the Remuneration Committee, including by reference to the extent to which the performance condition has been satisfied and the number of months that have passed since the award was made.

The employment contracts for the Executive Directors do not contain any specific right to compensation for loss of office on a takeover bid.

Substantial shareholdings

At 3 November 2015, the following shareholders held 3% or more of the Company's issued ordinary share capital:

Schroder Investment Management	13.2%
BlackRock Investment Management	9.5%
JPMorgan Asset Management	7.5%
Henderson Global Investors	3.4%
Standard Life Investments	3.1%
Franklin Templeton Investments	3.1%

Acquisition of own shares

During the year the Directors had the power to make market purchases of up to 4,653,492 of the Company's own shares in issue on the basis as set out in the explanatory note on page 143. The Company did not acquire any of its own shares in 2015 but it did fund the purchase of 162,095 shares with a nominal value of £1 each by one of the Employee Share Ownership Trusts as described in note 20.

The Directors also had the authority to allot shares up to an aggregate nominal value of £10,341,097 which was approved by shareholders at the last annual general meeting (AGM).

In addition, shareholders approved a resolution giving the Directors a limited authority to allot shares for cash other than pro rata to existing shareholders.

These resolutions remain valid until the conclusion of this year's AGM when resolutions to renew these authorities will be proposed. Dividends on shares held by the two Employee Share Ownership Trusts have been waived.

Directors

The names of the Directors as at 17 November 2015 are set out on page 43.

The Company's rules about the appointment and replacement of Directors, together with the powers of Directors, are contained in the Articles. Changes to the Articles must be approved by special resolution of the shareholders.

During the year there have been three changes to the membership of the Board. Mrs. S Pirie, having completed ten years as a Non-Executive Director, retired from the Board with effect from the conclusion of the AGM on 29 January 2015. Mr. P Vervaat was appointed as a Director and Chairman of the Audit Committee on 1 March 2015. After seven years as Chief Executive, Mr. P Slabbert retired as a Director on 30 September 2015. Mr. R Rennie will assume the role of Chief Executive on 1 December 2015 and Mr. A Lewis assumed the position of Interim Group Chief Executive from 1 October 2015 to 30 November 2015.

The Board is satisfied that Mr. D Evans, Mr. P Vervaat and Mr. R Wood are independent Non-Executive Directors.

Mr. D Evans retires by rotation and, being eligible, offers himself for re-election.

The Board confirms that Mr. Evans has contributed substantially to the performance of the Board. Mr. R Wood, the Senior Independent Non-Executive Director, gives his full support to Mr. Evans' offer of re-election and draws the attention of shareholders to his profile on page 43.

Mr. P Vervaat, who, having been appointed since the Company's last AGM, retires in accordance with Article 79 of the Articles and, being eligible, offers himself for re-election.

The Board confirms that Mr. Vervaat has contributed substantially to the performance of the Board since his appointment. The Chairman gives his full support to Mr. Vervaat's offer of re-election and draws the attention of shareholders to his profile on page 43.

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

All Executive Directors' service contracts with the Company require one year's notice of termination. Neither Mr. Lewis or the new Chief Executive Mr. Rennie is currently appointed as a non-executive director of any limited company outside the Group.

None of the Directors have a beneficial interest in any contract to which the 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 74.

Directors' and officers' indemnity insurance

Subject to the provisions of the Companies Act 2006 (the Act), the Articles provide for the Directors and Officers of the Company to be appropriately indemnified. In accordance with section 233 of the Act the Company has arranged an appropriate Directors and Officers insurance policy to provide cover in respect of legal action against its Directors.

The Company's Articles allow the Company to provide the Directors with funds to cover the costs incurred in defending legal proceedings. The Company is therefore treated as providing an indemnity for its Directors and Company Secretary which is a qualifying third party indemnity provision for the purposes of the Act.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Research and development

The Group continues to utilise its technical and materials expertise to further advance its products and remain at the forefront of technology in the fields of respiratory protection, dairy milking technology and polymer engineering. The Group maintains its links to key universities in the US and UK and continues to work with new and existing customers and suppliers to develop its knowledge and product range. Total Group expenditure on research and development in the year was £7,139,000 (2014: £7,046,000) further details of which are contained in the Strategic Report on pages 11 to 33.

Through ARTIS, the Group's research and development arm, the Group is recognised as a world leader in understanding the composition and use of polymer products.

Environmental and corporate social responsibility

Matters relating to environmental and corporate social responsibility including reference to our policy on diversity are set out on pages 34 to 42.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to £17,053 (2014: £13,542) consisting exclusively of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, Wisconsin and Mississippi.

Financial instruments

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

Post balance sheet events

On 8 October 2015 the Group acquired the Argus thermal imaging camera business from e2v technologies plc for £3.5m. There have been no other significant events affecting the Company or Group since the year end.

Statement of Directors' responsibilities for preparing the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Group financial statements in accordance with International

Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether IFRSs as adopted by the European Union and IFRSs issued by the IASB and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



Having taken advice from the Audit Committee, the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 43 confirm that, to the best of their knowledge the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Strategic Report contained on pages 11 to 33 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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 2015, the number of days' purchases outstanding at the end of the financial year for the Group was 5 days (2014: 2 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors. At 30 September 2015 there were no trade creditors in the balance sheet of the parent company (2014: nil).

Independent auditors

Each Director confirms that on the date that this report was approved so far as they are aware, there was no relevant audit information of which the auditors are unaware; and each Director has 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.

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

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 48 to 52. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Annual general meeting

The Company's annual general meeting will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 26 January 2016 at 10.30am. The Notice of Meeting can be found on pages 138 to 146. Registration will be from 10:00am.

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
17 November 2015



Statement of compliance with the UK Corporate Governance Code

The Board of Directors believes in high standards of corporate governance, notwithstanding the Company's size and status as a member of the FTSE SmallCap index, and 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 UK Corporate Governance Code (the Code) which is available on the website of the Financial Reporting Council (FRC).

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

The Board considers that, subject to the Senior Independent Director not attending meetings with the major shareholders to listen to their views (which is explained further below) the Company met the requirements of the Code throughout the year ended 30 September 2015. This statement will address separately the main subject areas of the Code namely leadership, effectiveness, accountability and relations with shareholders. Remuneration is dealt with in the Remuneration Report on pages 56 to 77.

The Board has an established framework of internal controls covering both financial and non-financial controls. In addition, there is an ongoing process for identifying, evaluating and managing significant business risks faced by the Group. This process was in place throughout the 2015 financial year and accords with the Revised Guidance for Directors on Internal Control (formerly called the Turnbull Guidance).

Leadership and effectiveness

During the year the Board of Avon Rubber p.l.c. comprised a Chairman, two Non-Executive Directors (the Non-Executive Directors), and two Executive Directors who are the Chief Executive and the Group Finance Director. The Board treats the two Non-Executive Directors as independent. Following the retirement of Mrs. S Pirie from the Board at the conclusion of last year's AGM, Mr. R Wood was appointed Senior Independent Director.

Mr. P Slabbert retired as Chief Executive on 30 September 2015 and Mr. R Rennie will be appointed to the Board as Chief Executive on 1 December 2015. Mr. A Lewis has assumed the position of Interim Group Chief Executive from 1 October 2015 until 1 December 2015.

Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association. Amendments to the Articles must be approved by a special resolution of shareholders. Under the Articles all Directors are subject to election by shareholders at the first annual general meeting following their appointment, and to re-election thereafter at intervals of no more than three years.

The Board is aware of the FRC's suggestion that companies outside the FTSE 350 should consider the annual re-election of all directors. On the basis that this is not a requirement of the Code and it has not been raised as an issue by any shareholders the Board has chosen not to change its existing practice.

Non-Executive Directors submit themselves for annual re-election if they have served for more than nine years since first election. Additionally, the Non-Executive Directors are appointed by the Board on terms which allow for termination on three months' notice.

Biographies of the Directors appear on page 43. These illustrate the range of business and financial experience upon which the Board is able to call. The intention of the Board is that its membership should be balanced between executives and non-executives and have the appropriate skills and experience. The special position and role of the Chairman under the Code is recognised by the Board and a written statement of the division of responsibilities of the Chairman and Chief Executive has been agreed. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role and the Chief Executive manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

One of the roles of the Non-Executive Directors under the leadership of the Chairman is to undertake detailed examination and discussion of strategies proposed by the Executive Directors, so as to ensure that decisions are in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders. The Chairman ensures that meetings of Non-Executive Directors without the Executive Directors are held.

How the Board operates

The Chairman ensures through the Company Secretary that the Board agenda and all relevant information is provided to the Board sufficiently in advance of meetings and that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chief Executive and the Company Secretary discuss the agenda ahead of every meeting. At meetings the Chairman ensures that all Directors are able to make an effective contribution throughout meetings and every Director is encouraged to participate and provide opinions for each agenda item. The Chairman always seeks to achieve unanimous decisions of the Board following due discussion of agenda items. The Non-Executive Directors fully review the Group's operational performance and the Board as a whole has, with a view to reinforcing its oversight and control, reserved a list of powers solely to itself which are not to be delegated to management. This list includes appropriate strategic, financial, organisational and compliance issues, including the approval of high level announcements, circulars and the report and accounts and certain strategic and management issues.

Examples of strategic and management issues include the following:

- Approval of the annual operating budget and the three year plan
- The extension of the Group's activities into new business and geographic areas (or their cessation)
- Changes to the corporate or capital structure
- Financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees
- Changes to the constitution of the Board
- The approval of significant contracts, for example the acquisition or disposal of assets worth more than £1,000,000 or the exposure of the Company or the Group to a risk greater than £1,000,000
- The approval of unbudgeted capital expenditure exceeding £250,000
- The approval of quotations and sale contracts where the sales commission payable to an intermediary exceeds 10% of the net invoice price
- Consideration and approval of all proposed acquisitions and mergers

Each Director has full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. All Directors receive a tailored induction to the Group from the Company Secretary on joining the Board. When appointed, Non-Executive Directors are made aware of and acknowledge their ability to meet the time commitments necessary to fulfil their Board and Committee duties. Procedures are in place, which have been agreed by the Board, for Directors, where necessary in the furtherance of their duties, to take independent professional advice at the Company's expense and all Directors have access to the Company Secretary. The Company Secretary is responsible to the Board for ensuring that all Board procedures are complied with. The removal of the Company Secretary is a decision for the Board as a whole.

Performance evaluation

An internal annual performance evaluation was undertaken by the Board during the year and there are no plans to move towards an externally facilitated evaluation (which is compulsory for FTSE 350 companies) at this time. The Chairman acted as the sponsor of the evaluation process and each Director was required to score a questionnaire for review by the Board. The Company Secretary acted as facilitator to the Board and issues arising from the process were incorporated into the Board's business as appropriate. Within the evaluation exercise, the Board addressed three key areas: the extent to which the Board focuses on the right issues, interacts effectively and has the right mechanics in place. A separate Chairman evaluation was also carried out in the same manner.



Committees of the Board

Of particular importance in a governance context are the 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. The Non-Executive Directors continue to regard the Chairman as adding significant value to the deliberations of the Audit Committee and his membership is ratified by Provision C.3.1. of the Code, which permits listed companies outside the FTSE 350 to allow the Chairman to sit on the audit committee where he or she was considered independent on appointment as Chairman. Mr. P Vervaat is Chairman of the Audit Committee. The Board is satisfied that Mr. Vervaat has recent relevant financial experience and his profile appears on page 43. Mr. D Evans is Chairman of the Nominations Committee and Mr. R Wood is Chairman of the Remuneration Committee.

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 the Executive Directors and other senior executives. The Chief Executive and the Company Secretary attend meetings of the Committee by invitation, but are absent when issues relating to each of them are discussed. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 56 to 77.

The Board schedules eight regular meetings per year. This year two further meetings have been held on an ad hoc basis, by telephone conference, in connection with the acquisition of InterPuls S.p.A.

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

Relations with shareholders

The Directors regard communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware.

In terms of published materials the Company issues a detailed annual report and accounts and, at the half year, an interim report. Trading statements have been issued during the year, together with a number of other event updates. Dialogue takes place regularly with institutional shareholders and general presentations are given following the preliminary and interim results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and at other times during the year. Shareholders have the opportunity to ask questions at the annual general meeting and also have the opportunity to leave written questions with the Company Secretary for the response of the Directors.

The Directors meet informally with shareholders after the annual general meeting and respond throughout the year to any correspondence from individual shareholders. Annual general meetings provide a venue for the shareholders to meet the Non-Executive Directors in addition to any other meetings shareholders may request.

The Non-Executive Directors, having considered the Code with regard to relations with shareholders, are of the view that it is most appropriate for the shareholders to have regular dialogue with the Executive Directors. The results of all dialogue with shareholders are communicated to the Board and reviewed by all Non-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 remaining Non-Executive Director may be contacted through the Company Secretary.

Meetings during year ended 30 September 2015

	Board	Audit Committee	Remuneration Committee	Nominations Committee
SJ Pirie**	3	1	3	-
RK Wood	8	3	6	5
DR Evans	8	3	6	5
PC Slabbert	8	3*	4*	3*
AG Lewis	8	3*	1*	-
PRM Vervaat***	5	2	3	4

* Attendance by invitation

** SJ Pirie retired from the Board on 29 January 2015

*** PRM Vervaat was appointed to the Board on 1 March 2015

At the annual general meeting on 26 January 2016, the Board will be following the recommendations in the Code regarding the constructive use of annual general meetings; as usual, the agenda will include a presentation by the Chief Executive on aspects of the Group's business and an opportunity for shareholders to ask questions. The Board has no plans to introduce poll voting on all business at general meetings as a substitute for using proxy votes, as this is not a requirement of the Code.

Accountability

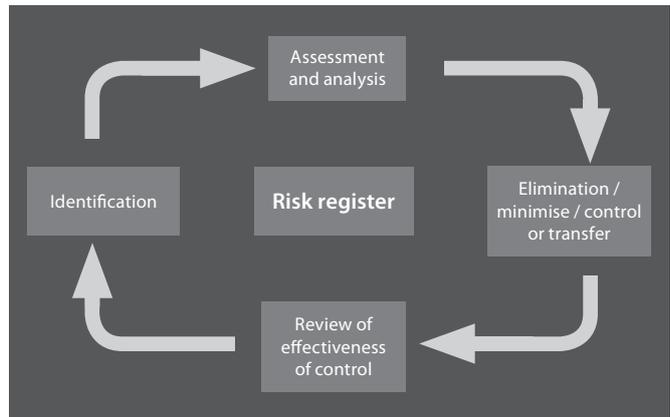
The Code requires that Directors review the effectiveness of the Group's system of internal controls on a continuing basis. The scope of this review covers all controls including financial, operational and compliance controls as well as risk management. As indicated earlier, the Board has put in place a framework of internal controls 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, through the Audit Committee, 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 section on internal control in the Audit Committee Report on pages 54 to 55 and 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.

Procedures are in place to identify all major business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 28 to 31.



Risk management

Risk is managed by the Group Executive team at its quarterly meetings during the year, led by the Company Secretary and the Chief Executive. At each meeting the Group Executive team sets its key priorities for successfully managing the Group's businesses in the coming quarter. This process inherently addresses risk and the Company Secretary sponsors an exercise that ensures the known risks to the businesses, together with any newly identified risks, are assessed and analysed effectively and that the priorities eliminate, minimise, control or transfer risk (or the effect thereof) as appropriate. The Company Secretary also sponsors a review of the continuing effectiveness of other aspects of the control environment by the executive team.

The Board carried out quarterly reviews of the key risks facing the Group during the year, following the quarterly reviews conducted by the Group Executive management team.

The Board also carried out an annual review of the major business risks affecting the Group, including the macro risks. In the year under review, the risk assessments carried out both at business level and at Board level continue to be reviewed and strengthened as part of the Board's ongoing response to the FRC's Revised Guidance on Internal Control: Guidance to Directors.



The risk management process

There is a clearly defined delegation of authority from the Board to the business units, with appropriate reporting lines to individual Executive Directors. There are procedures for the authorisation of capital expenditure and investment, together with procedures for post-completion appraisal.

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

The Group finance department manages the financial reporting process to ensure that there is appropriate control and review of the financial information including the production of the consolidated annual accounts. Group Finance is supported by the operational finance managers throughout the Group, who have the responsibility and accountability for providing information in keeping with our policies, procedures and internal best practices as documented in the internal finance manual.

The Board has issued a Code of Conduct which reinforces the importance of a robust internal control framework throughout the Group. The Board recognises that an open and honest culture is key to understanding concerns within the business and to uncovering and investigating any potential wrongdoing. The Code sets out the procedure whereby individuals may raise concerns in matters of financial reporting or any other matter of concern with management and directly with the Chairman of the Audit Committee to ensure independent investigation and appropriate follow up action. The 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, on two occasions, external auditors to review specific accounting, reporting and financial control matters. This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

Disclosure and transparency rules

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on page 46 and have been included by reference.

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.

This conclusion is based on a review of the resources available to the Group, taking account of the Group's financial projections together with available cash and committed borrowing. In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

Long-term viability statement

The Directors have assessed the viability of the Group over a three-year period to September 2018, taking account of the Group's current position and the potential impact of the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to September 2018.

In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the three-year period to September 2018 is an appropriate period over which to provide its viability statement. In making their assessment, the Directors have taken account of the Group's robust gearing position with a gearing ratio of around 4% (see note 19), its ability to raise new finance in most market conditions and other potential mitigating actions such as restricting dividend payments.



Pim Vervaat
Chairman of the Audit Committee
17 November 2015



NOMINATIONS COMMITTEE REPORT

The Nominations Committee, to which the Chief Executive is normally invited, reviews the Board structure, leads the process for Board appointments and makes recommendations to the Board, including on Board succession planning. The Nominations Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role for new appointments. In identifying potential candidates for positions as Non-Executive Directors, the Committee has full regard to the principles of the Code regarding the independence of Non-Executive Directors.

The Committee met five times during the year in connection with identifying replacements for Mrs. S Pirie, who retired on 29 January 2015 and Mr. P Slabbert, who retired from the Board on 30 September 2015.

Main responsibilities

The main responsibilities of the Committee are as follows:

- To lead the process for identifying and nominating candidates for the approval of the Board, to fill Board vacancies as and when they arise
- To put in place plans for succession
- To regularly review the Board's structure, size and composition taking into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and make recommendations to the Board with regard to any changes
- The Committee's terms of reference are available within the Corporate Governance section of the Company's website

All Directors are appointed by the Board following a rigorous selection process and subsequent recommendation by the Committee. Board appointments are made on merit, against criteria identified by the Committee having regard to the benefits of diversity on the Board, including gender.

The Nominations Committee is also responsible for the Board's policy on diversity.

The Board recognises the benefits of diversity. Diversity of skills, background, knowledge, international and industry experience, and gender, amongst many other factors, will be taken into consideration when seeking to appoint new directors to the Board. Notwithstanding the foregoing, all Board appointments will always be made on merit.

The Board's diversity policy can be found in the Corporate Governance section of the Company's website.

Further information, including the number of women in senior management and within the organisation is shown in the Environmental and Corporate Social Responsibility Report on pages 34 to 42.

Recent appointments to the Board

During 2015 recruitment consultants Korn Ferry provided search and selection services in connection with the appointments of Mr. P Vervaat as Non-Executive Director and Mr. R Rennie as Chief Executive. Korn Ferry have no other connection with the Company and are an independent provider of services to the Company.

Each member of the Nominations Committee met and interviewed a number of candidates put forward by Korn Ferry as part of the recruitment process for filling both of the above roles.

Evaluation

The annual evaluation of the Committee's effectiveness was undertaken as part of the Board and committee evaluation process.

DR Evans

David Evans
Chairman
17 November 2015



AUDIT COMMITTEE REPORT

Main responsibilities

- Reviewing the effectiveness of the Company's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk
- Reviewing significant financial reporting issues and judgements
- Monitoring the integrity of the Company's financial statements
- Keeping the relationship with the auditors under review, including their terms of engagement, fees and independence
- Monitoring the role and effectiveness of the internal audit function
- Advising the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy

Activities during the year

The Audit Committee meets three times a year. Meetings are also attended by the Executive Directors and on at least two occasions by representatives of the Group's external auditors. At meetings attended by the external auditors time is allowed for the Audit Committee to discuss issues with the external auditors without the Executive Directors being present.

An annual rolling agenda is reviewed to ensure that all matters within the Audit Committee's Terms of Reference during the year are appropriately covered. The Committee operates under formal terms of reference and these are reviewed annually. The Committee considers that it has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the year.

Financial reporting

During the year the Committee reviewed the appropriateness of the Group's half year and full year financial statements including considering significant financial reporting judgments made by management, taking into account the reports of the Group Finance Director and the external auditors. The main areas of focus considered by the Committee during 2015 were as follows:

- The presentation of the financial statements and, in particular, the presentation of adjusted performance and the adjusting items. The Committee reviewed a paper prepared by management detailing enhanced internal guidance on the classification of costs and reviewed the disclosure of adjusted items within the Group's full year and half year results, agreeing that the position taken in the financial statements is appropriate

- Review of the key judgements made in estimating the Group's tax charge. The review and discussion included an update on the current position, the status of discussions with the relevant tax authorities and the requirement to recognise a UK deferred tax asset following the utilisation of all available UK trading losses. The Committee agreed that the position taken in the financial statements is appropriate
- The need to perform an impairment review in respect of intangible assets. Following review of a report summarising the key issues in relation to impairment, the Committee concurred with management's assessment that there were no triggering events in 2015 requiring an impairment review except for goodwill arising on acquisitions made during the year where such a review is mandated by IFRS. The Committee concurred with management's assessment that the carrying value of goodwill was not impaired
- Review of the value ascribed to the the intangible assets of the acquisitions made during the year. The Committee reviewed a paper prepared by management summarising the key judgements and agreed that the position taken in the financial statements is appropriate
- Review of the ongoing funding level of the defined benefit pension scheme. As the costs, assets and liabilities are regularly reviewed and advice is taken from an independent actuary on the appropriateness of the assumptions used, the Committee agreed this was being managed appropriately
- At the request of the Board, the Committee considered whether the 2015 annual report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the annual report was fair, balanced and understandable

The Committee was content, after due challenge and debate, with the assumptions made and the judgements applied in the accounts and agreed with management's recommendations.

In addition the Committee reviewed and recommended the approval of the statements on corporate governance, internal control and risk management in the annual report and the half year and trading statements.

External auditors

The Committee oversees the relationship with the external auditors and monitors all services provided by and fees payable to them, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained.

In particular the Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. At the outset of the audit process, the Committee receives from the auditors a detailed audit plan, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure coverage is appropriately focused.

Feedback on the audit process is requested from management. For the 2015 financial year management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process as satisfactory. The Committee concurred with the view of management. The Committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors.

PricewaterhouseCoopers LLP (PwC) have been the Company's external auditors for a number of years. The Committee last reviewed the external audit mandate in 2012 and confirmed the continuing appointment of PwC. This was on the basis that the Committee was comfortable that the PwC audit team remained objective and independent on the basis of the regular rotation of the audit partner, which occurred in 2015 and specific assurance provided by PwC to the Committee on the arrangements it has in place to maintain its independence. The provision of external audit and tax compliance are separated with tax compliance services provided by BDO in the US and Tax Partner in the UK. The Committee considers the reappointment of the external auditor and their independence on an annual basis.

The new regulatory requirement to rotate the external audit mandate does not affect the Company until 2020. However, in order to ensure the independence and objectivity of the external auditors and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy. This policy provides clear definitions of services that the external auditors can and cannot provide. They may only provide non-audit services where those services do not conflict with their independence. A formal authorisation policy is in place for the provision of non-audit services to ensure that appropriate pre-approval is obtained as necessary. The latest version provides that non-audit services with a value of more than £50,000 or which cumulatively exceed the annual audit fee require the approval of the Board. This approach was preferred to capping the value of non-audit services performed by the external auditor by reference to the external audit fee. The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor. To ensure compliance with this policy the Audit Committee carried out a review during the year of the remuneration received by PwC for audit services, audit-related services and non-audit work. The breakdown of the fees paid to the external auditor, including the split between audit and

non-audit fees, is included in note 5 on page 91 of the financial statements. No non-audit services were carried out by PwC during the year. These reviews ensure a balance of objectivity, value for money and compliance with this policy. The outcome of these reviews was that no conflicts of interest existed between such audit and non-audit work.

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves the monitoring and reviewing of the effectiveness of internal audit activities, which included a review of the audits carried out and the results thereof, the management response and the programme and resourcing for 2015 and 2016. The Committee believes it is appropriate that the internal audit process is undertaken by members of the finance team who conduct financial reviews of the sites on a rotational basis.

In addition, site controllers and plant managers are obliged to positively confirm, on a bi-annual basis, that the controls as documented in the internal control manual are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations. This process has been in place for the year under review and up to the date of approval of the annual report and financial statements. It has been reviewed by the Board and continues to be monitored by the Committee, which remains satisfied with the arrangements.

During the year, the new business management software system continued to be rolled out throughout the Group. The 2015 internal audit programme included three post-implementation reviews to ensure the new system was operating effectively.

No significant failings or weaknesses were identified by the internal audit process but several minor improvements were identified and implemented. As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the FRC's revised guidance on Internal Control: Guidance to Directors. Risk management activities are dealt with in more detail in the Corporate Governance Report on pages 48 to 52.



Pim Vervaat
Chairman of the Audit Committee
17 November 2015



Letter from the Chairman of the Remuneration Committee

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2015.

The new three year remuneration policy approved overwhelmingly by shareholders at the annual general meeting in February 2014 has continued to deliver impressive results by rewarding success through the delivery of sustained high levels of growth. It includes a relatively significant proportion of variable pay together with a 25% deferment to protect against under or variable performance and a claw back for mis-statements.

During the year, the Committee oversaw the process of retirement for the Chief Executive Officer including the terms of his departure. I believe that the terms agreed fairly reflect the successful contribution Peter Slabbert has made to the growth of the Company and represent good value for shareholders. Details of the terms agreed are set out later in my report.

Because we have a small executive team, comprising just two Executive Directors, the Board decided to mitigate the continuity risk associated with Peter's retirement on 30 September 2015 by offering to pay a one off retention bonus to the Group Finance Director, Andrew Lewis. This also aims to reflect the extra work and responsibility he has to carry during an extended recruitment and transition period. The quantum of this bonus is subject to performance conditions and will only be payable if Andrew is in-post at the end of the 2016 financial year. In addition, Andrew will receive a salary supplement in return for taking on the additional role of Interim Group Chief Executive during October and November 2015.

The Committee has reviewed the employment contract for the new Chief Executive along with his remuneration package and believes that both are in line with contemporary practice, are appropriate and fully reflect the approved policy on recruitment remuneration. His employment commences on 1 December 2015.

As usual, my report covers the remuneration of both Executive and Non-Executive Directors.

We are not proposing to change the principles of the current three year policy which will remain in force until reviewed at the end of its term in 2016. However, we are proposing, for shareholder approval, a number of minor amendments and clarifications to remove some ambiguities and incorporate the measures we have taken this year in connection with the change of Chief Executive.

In addition, we will be asking shareholders to approve amendments to the rules of the Performance Share Plan as a result of the Committee's mid-term review and the introduction of two new employee share plans. During the year the Company launched a graduate recruitment programme as part of its plan to develop future managers from within to enable the Company to meet its strategic objectives. The two new plans are specifically aimed at incentivising and retaining junior business managers who are becoming an increasingly important resource for managing the Company as it grows.

For the year under review, the key features and impacts of the current remuneration policy have been as follows:

1. Base salaries

1.1 Executive Directors

Basic salaries were frozen in October 2013 for the three year period of the remuneration policy. Accordingly, the 2% annual cost of living increase recently awarded to the wider workforce was not paid to the Executive Directors and the percentage change in remuneration between the Chief Executive and other employees over the current three year remuneration policy will narrow further, as illustrated later in my report. Andrew Lewis will receive a monthly salary supplement for acting as Interim Group Chief Executive between 1 October 2015 when Peter Slabbert retired and 1 December 2015 when the replacement Chief Executive takes up his new role.

The existing Remuneration Policy did not envisage such salary supplements for Executive Directors so this has been clarified in a policy amendment this year.

1.2 Non-Executive Directors

Non-Executive Director fees were reviewed last year and have been frozen under the terms of the existing remuneration policy until October 2017.

2. Executive Directors' variable pay

This has been year two in the operation of the two tier annual bonus award scheme introduced in the 2013 remuneration policy and we believe the strength of the financial results achieved in continued challenging economic conditions continues to demonstrate its effectiveness. The Committee continues to believe that the ratcheted performance condition and the increase in the cap to 150% of salary are appropriate and supportive of the Company's growth objectives.

The annual bonus deferral rule requires that 25% of the annual bonus payment related to the business performance conditions must be deferred into shares which are held for two years. These shares are not subject to the executive shareholding guidelines. In this way, if earnings are not sustained over that two year period, any reduction in the share price effectively reduces the value of the bonus earned. The number of shares subject to that deferral is separately identified in the annual remuneration report.

Andrew Lewis has been granted a special retention bonus for 2015/16 relating to the transitional period in which the new CEO will become established and runs until the end of November 2016. We have sought to align this potential payment with shareholder interests by applying adjustment factors linked to the total shareholder return of the Company's shares when compared with the FTSE All Share Index.

The bonus is payable in two parts, the first part after the release of the FY16 interim results and the second after the release of the FY16 year end results. The existing Remuneration Policy does not provide for such an important and exceptional provision because the issue was not envisaged at the time the policy was compiled. An amendment and clarification has therefore been included in the policy for this year.

3. Long-term incentives for Executive Directors

The long-term incentive grants made for both the Chief Executive and Group Finance Director in 2014 were at the historical level of 100% of salary. As noted in my report last year, we have, this year, concluded a review of our five year old Performance Share Plan. As a result of this

review, we are proposing some changes to bring the scheme and the level of future awards into line with current market practice. Some of the proposed changes will require amendments to the Plan rules and a shareholder resolution is therefore being proposed.

The remit of the Committee's review was to:

- Confirm that the Plan remained appropriately structured when compared with current FTSE market practice and corporate governance standards;
- Consider ways of extending the Plan to give greater flexibility on the timing, value and purpose of awards; and
- Consider alternative options for making share awards for valued employees who are not senior executives to avoid using the current Plan too widely.

The Committee concluded that the Plan had served the Company well in its formative years but that it was not sufficiently aligned to the challenges associated with the growth strategy targets that have been set by the Board. Also, some changes need to be made in order to comply with evolving corporate governance standards and FTSE practice.

In particular, there is no flexibility in the Plan to provide incentives in exceptional circumstances. Examples include for recruitment or to support strategic change such as a major acquisition. In these cases, awards above the existing 100% salary cap may be appropriate and should be considered on a case by case basis. Associated performance targets may need to be modified to be more appropriate and stretching. The Committee believes that such exceptional awards should be based on achieving challenging and measurable strategic targets that supplement the existing targets currently being used in normal operation of the Plan. At the same time we believe it is appropriate to increase the long-term holding of shares delivered under this increased flexibility to improve retention.

No awards were made to the new Chief Executive, who will join on 1 December 2015, under the Plan in connection with his recruitment.

The changes recommended to the Board as a result of this review and now being put to shareholders in the revised remuneration policy can be summarised as follows:

- The normal award level will remain capped at 100% of annual salary per year. However, the overall cap will be increased to 200% of salary so that above standard level special awards may be made to selected people, in exceptional circumstances, if an appropriate challenge warrants such treatment.
- The TSR comparator group historically used in the TSR performance condition will be changed. The current index of companies being used as a comparator is no longer thought to represent a sufficiently stretching bench mark for the increasingly successful Avon team. We propose, instead, to use the FTSE All Share index (excluding investment trusts). This is preferable to defining a bespoke comparator basket of companies which would result in distorted comparisons, given the two diverse business divisions and the large size of many defence industry comparators.
- The EPS performance condition will be amended to refer to CPI rather than RPI for future awards on the basis that RPI is no longer an approved national statistic.

- A two year holding period will be introduced following the three year performance period for any exceptional awards made in excess of 100% of salary. The current shareholding guidelines will remain in place for awards of up to 100% of salary.
- In line with market practice, the median vesting level for normal awards made at the 100% salary level will be reduced from 30% to 25% so that fewer shares vest for median performance.
- A clean break option will be introduced for exiting executives. The Committee already has discretion to allow good leaver status on a case by case basis but for added flexibility, the rules will be amended to allow for a clean break when executives leave. This will permit vesting to be triggered at the point of leaving by reference to performance at that date, rather than waiting until the end of the performance period. This, in turn, will allow vesting at rates appropriate to the Board's strategy for managing an exit, for example to offset cash compensation by allowing earlier vesting.

In addition, we propose to implement new UK and US share option schemes to incentivise junior executives with shares in a variety of circumstances and for use as a future annual bonus deferral tool. An approved Company Share Option Plan (CSOP) will be implemented in the UK and an Incentive and Non-Qualified Stock Option Plan (ISO) will be introduced in the US. Unapproved options will be used to supplement awards made under both plans. Shareholder approval is being sought for the CSOP and the ISO on the basis that they may be supported by newly issued shares. Any issuance of new shares in support of the CSOP or ISO, or in connection with the higher cap on awards under the Plan, will only occur within existing, approved dilution limits.

With regard to the three-year performance under the Performance Share Plan for the period which ended on 30 September 2015, both the earnings per share target and the total shareholder return targets are expected to be met in full. 100% of the awards are therefore likely to vest in November 2015. An announcement will be made at the time.

Conclusions

In a year of change, the Committee has met the challenge of allowing Peter Slabbert to leave on mutually agreeable terms, retaining the services of the existing Group Finance Director to protect shareholder value and aligning the future Chief Executive's remuneration package with short, medium and long-term shareholder interests.

The Committee remains confident that the current remuneration structure has continued to incentivise the executive team to deliver strong and sustainable growth without encouraging undue risk taking. I believe that this result will be enhanced by the changes now being proposed for the Performance Share Plan and from the introduction of the new option plans for junior business managers.

The revised remuneration policy, the amended PSP rules, the new CSOP and ISO share plans and the remuneration policy report will all be subject to your vote at the AGM to be held on Tuesday 26 January 2016.

I have requested feedback from the largest shareholders on the proposed changes to the remuneration policy as I did when the policy was originally proposed in 2013. No feedback was received but I remain available to discuss the proposed changes prior to the annual general meeting.

Remuneration Policy Report

Executive Directors

Remuneration Committee

The Remuneration Committee is responsible for developing and implementing remuneration policy and for determining the Executive Directors' individual packages and terms of service together with those of the other members of the Group Executive management team.

The Committee comprises Mr. R Wood (Chairman), Mr. D Evans and Mr. P Vervaat. The Committee uses external independent professional advisers when needed. KPMG are the Company's independent actuarial advisor on pension matters and will provide the Committee with information on executive pension arrangements when this cannot be provided by the pension scheme actuary AonHewitt. EY provide annual performance monitoring data and share award valuations for review by the Committee in relation to the Performance Share Plan. EY also provide remuneration benchmarking of the reward packages received by the Executive Directors, the Group Executive and the fees received by the Chairman and the other Non-Executive Directors as well as more general advice on executive remuneration. The Company's solicitors TLT provide advice on remuneration governance and all share plans.

The Committee addressed the following main issues during the last year:

- Approved the annual bonus payments to the Executive Directors in November 2014
- Approved the annual bonus plan for the Executive Directors for the 2015 financial year
- Reviewed and confirmed the vesting of the 2011/12 Performance Share Plan awards in December 2014
- Reviewed and approved the 2014/15 Performance Share Plan awards granted in December 2014 and monitored the performance of the outstanding awards against their performance targets
- Reviewed the executive management succession plan
- Oversaw the process of early retirement for the Chief Executive including the terms of his departure
- Approved a retention bonus for the Group Finance Director to retain his services and to reflect the extra work and responsibility he has to carry during the recruitment and transition period for the new Chief Executive
- Implemented a short-term salary supplement for the Group Finance Director for acting as Interim Group Chief Executive during October and November 2015
- Reviewed the employment contract and remuneration package for the new Chief Executive

Since the end of the 2015 financial year, the Committee has:

- Approved the annual bonus payments to the Executive Directors and the Group Executive management team, following completion of the external audit in November 2015
- Approved the annual bonus plan for the Executive Directors and the Group Executive management team for the 2016 financial year
- Made preparations for the 2015/16 Performance Share Plan awards to be granted in December 2015

Guiding policy

The Remuneration Committee's terms of reference are available on the Company's website and include:

- Determining and agreeing with the Board the policy for the remuneration of the Company's Chief Executive, Group Finance Director, Chairman, the Company Secretary and such other members of the senior management team as it chooses to consider or is designated to consider (currently the Group Executive management team)
- Within the terms of the agreed policy, determining the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments, share options and pension arrangements. The remuneration of Non-Executive Directors is a matter for the Chairman and the Executive Directors
- Reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such discretionary plans, determining each year whether awards will be made, the overall amount of such awards, the individual awards to Executive Directors and the Group Executive management team (and others) and the performance targets to be used
- Determining the targets for any performance-related bonus schemes operated by the Company
- Reviewing remuneration trends across the Group, including the salary increases proposed annually for all Group employees
- Agreeing termination arrangements for senior executives

The Committee aims to provide a remuneration structure that supports the achievement of the Company's performance objectives and, in turn, increases shareholder value.

The Company's guiding policy on executive remuneration is that:

- Executive remuneration packages should take into account the linkage between pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical success factor in the setting of incentives, both in the short and the long-term

- The overall level of salary, incentives, pension and other benefits should be competitive when compared with other companies of a similar size and global spread to attract, retain and motivate executive directors of superior calibre in order to deliver continued growth of the business
- Performance related components should form a significant proportion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders

Approach to recruitment remuneration

The Committee's policy on recruitment remuneration is that new Executive Directors will be offered a base salary below the median level in the applicable benchmarking report until proven, at which point they will receive an uplift to the benchmark median salary level determined and maintained by reference to independent benchmarking studies carried out every three years. Annual bonus awards, performance share plan awards and pension contributions would not be in excess of the current levels stated for the Chief Executive and the Group Finance Director. This is the approach that has been followed in setting the remuneration package for the new Chief Executive.

In unusual circumstances it may be necessary to pay a joining incentive to secure the right candidate. The Committee might consider paying up to 2.5 times base salary in these circumstances with the actual amount being defined by market requirements at the time. However, any such payment would be subject to performance conditions and a claw back on underperformance during the first two years of employment. No joining incentives have been paid in connection with the recruitment of the new Chief Executive.

The process for the change of Chief Executive highlighted two features of remuneration that were not covered by the current remuneration policy, because they were not anticipated at the time the policy was originally drafted. These are being added this year. Firstly, because the Company has just two Executive Directors the Board decided to mitigate the continuity risk associated with Mr. Slabbert's retirement by agreeing to pay a one off retention bonus to Mr. Lewis. This also aimed to reflect the extra work and responsibility Mr. Lewis has to carry during the extended recruitment and transition period to a new Chief Executive. The quantum of this bonus is subject to performance conditions which are aligned to shareholder interests and will only be paid if Mr. Lewis remains in post and has performed satisfactorily at the end of the 2016 financial year. The ability to make such one off bonus awards to Executive Directors in this limited context is important because the individual is taking on an additional role as well as continuing to fulfil their own role and it is therefore being added to the policy this year. Secondly, the Committee agreed to pay Mr. Lewis a salary supplement

for acting as Interim Group Chief Executive for the short period between 1 October 2015 and 30 November 2015. The ability to pay such supplements in this limited context is therefore being added to the policy this year.

Consideration of conditions elsewhere in the Company

The experience of Committee members and the 2013 EY benchmarking report have been relied upon in setting the remuneration packages for the Executive Directors and this remuneration policy. Employees have not been specifically consulted in this regard. In line with other small to mid-sized companies there is no works council and therefore there is no established process or platform to consult employees in relation to executive remuneration. Consistent with this approach annual cost of living increases granted to the wider workforce are not paid to the Executive Directors or to the other members of the Group Executive management team.

The Committee monitors the remuneration of the wider workforce and, in particular, the divisional management teams as well as other key employees. As with the current policy for the Executive Directors, general practice across the Group is to recruit employees at market rates and this tends to be at the median salary level or above to attract them to the Group.

Because of the numbers involved and the need to absorb new recruits at salaries comparable with those already employed, salaries are normalised upwards over time to the median salary level so that the pay level of the workforce is always kept close to the median level and maintained at that level by the cost of living increases. Employees are then able to earn annual bonuses in excess of the mid-market rate in return for delivering exceptional performance.

In addition, the Group Executive management team maintains a benchmarking database of all management employees in the Group with the aim of ensuring that each is being paid at or near the median local benchmark level for their role and that, where applicable, each has a career and associated salary progression plan. It is possible that some of the more senior personnel within that group will be brought within the Committee's remit but the Committee remains comfortable that the Group Executive management team sets the remuneration for the divisional management levels beneath it in the organisation structure.

Consideration of shareholder views

In 2013 the Chairman of the Remuneration Committee consulted with the three largest Company shareholders with a combined holding of 40% on the (then) proposed remuneration policy. This year the Chairman has consulted in the same manner on the proposed amendments to the remuneration policy and the changes to the Performance Share Plan.

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Detailed policy

The table below summarises the main components of the remuneration policy approved by shareholders at the February 2014 annual general meeting for the three year period commencing 6 February 2014, together with all proposed changes.

The Remuneration Committee has discretion to amend the remuneration policy in 2016 to the extent described in the table and the written sections that follow it below.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value*	Performance targets	Changes from 2014
Base Salary	<p>To provide competitive fixed remuneration</p> <p>To attract and retain Executive Directors of superior calibre in order to deliver growth for the business</p> <p>Intended to reflect that paid to senior management of comparable companies</p> <p>Reflects individual experience and role</p>	<p>Reviewed every three years by the Remuneration Committee</p> <p>Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, as well as relative to the external market as identified in a benchmarking study based on an appropriate comparator group</p> <p>An Executive Director may be paid a salary supplement for fulfilling the role of another higher paid Executive Director when that Executive Director retires or leaves the Company. Supplement capped at the leaving Director's base salary</p>	<p>2013/14: PC Slabbert £330,000 AG Lewis £252,000</p> <p>2014/15: No change</p> <p>2015/16: New Chief Executive to be paid £300,000, reviewed in October 2016 AG Lewis £252,000 plus £13,000 salary supplement payable for the period from 1 October to 30 November 2015 No increase in 2016 unless found to be below the median level shown in a benchmarking report to be commissioned in 2016 and any adjustments will be effective from 1 October 2016</p>	Not applicable	<p>For 2015/16: New Chief Executive salary confirmed within existing approved maximum potential value for this role.</p> <p>Policy proposed to be amended to permit payment of a salary supplement to Executive Directors for temporarily fulfilling the role of higher paid Executive Directors in addition to their own when they retire or leave the Company. The Group Finance Director has been paid a salary supplement of £6,500 per month for acting as Interim CEO between 1 October and 30 November 2015</p>
Benefits	As above	<p>Executive Directors are entitled to medicals every two years and private health insurance. Cash for car payments were phased out in 2009. Life assurance is a benefit under the pension scheme but paid for by the Company. Small loans have been made in connection with the jointly owned equity awards under the Performance Share Plan</p>	<p>Full cost of healthcare benefits is circa £2k per Executive Director</p> <p>Life assurance is provided as part of a Group-wide policy and therefore a specific cost cannot be attributed to the Executive Directors</p>	Not applicable	No change
Annual Bonus	<p>Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives</p> <p>Maximum bonus only payable for achieving demanding targets</p> <p>Deferred element encourages long-term shareholding and discourages excessive risk taking</p>	<p>Paid in cash except 25% is deferred into shares to be held for two years. Not pensionable</p> <p>Up to 150% of basic salary for the CEO and the FD in 2015</p> <p>Deferral does not apply to the percentage award relating to achievement of personal objectives</p> <p>Claw back applies if the financial results which led to the bonus being paid are restated due to an error in the subsequent two years</p>	<p>2013/14 (% of salary): PC Slabbert 150% AG Lewis 150%</p> <p>2014/15 (% of salary): No change</p> <p>2015/16 (% of salary): No change, including for the new Chief Executive</p>	The first 100% is based upon a combination of Group profit budget achievement (Group PBITE), year on year PBITE growth and Group cash generation (ratio of operating cash flow to operating profit) plus specific personal performance targets	No change

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value*	Performance targets	Changes from 2014
Performance Share Plan	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders	The Company has one Performance Share Plan, which was approved by shareholders in 2010. Annual grants of conditional share awards which vest after a three year performance period, subject to achievement of performance targets and continued service	2013/14 (% of salary) PC Slabbert 100% AG Lewis 100% 2014/15 (% of salary) No change 2015/16 (% of salary): New CEO and AG Lewis: 100% normal award and up to a further 100% special award in exceptional circumstances	For the normal 100% award: 50% TSR (of which 30% vests for median increasing to 100% vesting for upper quartile of the FTSE Small Cap Index excluding investment trusts) 50% EPS (which starts vesting at nil for RPI +3% rising to 100% at RPI +8%) For the additional 100% exceptional award: Financial performance conditions dependent on circumstances of award, measured over a 3 year period	For 2015/16: New total higher salary cap on annual value of awards under the Plan of 200% proposed Additional 100% to be used for special awards in exceptional circumstances Shares delivered under special awards to be subject to a mandatory 2 year holding period after vesting CPI to replace RPI in the EPS performance condition for awards from December 2015 FTSE All Share Index to replace FTSE Small Cap Index as TSR comparator group for awards from December 2015 Median vesting level for future awards to be reduced from 30% to 25%
Share ownership guidelines	To increase alignment between executives and shareholders	Executive Directors are required to retain a proportion of their net of tax vested awards until the guideline is met	200% of salary for Executive Directors for awards vesting from December 2014 Special awards in excess of 100% of salary will deliver shares to be held for a mandatory 2 year holding period	Not applicable	No change to existing awards up to 100% of salary Special awards in excess of 100% of salary are new and will deliver shares to be held for a mandatory 2 year holding period
Pension	To reward sustained contribution by providing retirement benefits	Mr Slabbert is a deferred member of the now closed final salary section of the Plan Both Mr Slabbert and Mr Lewis are members of the money purchase section of the Plan. Where the promised level of benefits cannot be provided through the money purchase scheme the Company provides benefits through the provision of salary supplements	2013/14 (% of salary) PC Slabbert 15% AG Lewis 15% 2014/15 and 2015/16 (% of salary) No change, including for the new CEO	Not applicable	No change
One off bonus	To mitigate continuity risk amongst Executive Directors associated with the departure of other Executive Directors by retaining their services and to reward extra work and responsibility during the recruitment and transition period	Executive Directors may be awarded a one off bonus capped at one year's base salary, payable in instalments over a defined period and subject to an adjustment factor based on the Company's TSR compared to a comparator group TSR over the defined period	New for 2015/16 One year's base salary	Payment to be multiplied by an adjustment factor set by reference to the Company's relative TSR performance when compared to the FTSE All Share Index excluding investment trusts over the previous 12 months. If Avon tracks the FTSE All Share exactly over the period the adjustment factor is 1. For example, if Avon underperforms by 10% the adjustment factor is 0.9, if it outperforms by 10% the adjustment factor is 1.1	New for 2015/16

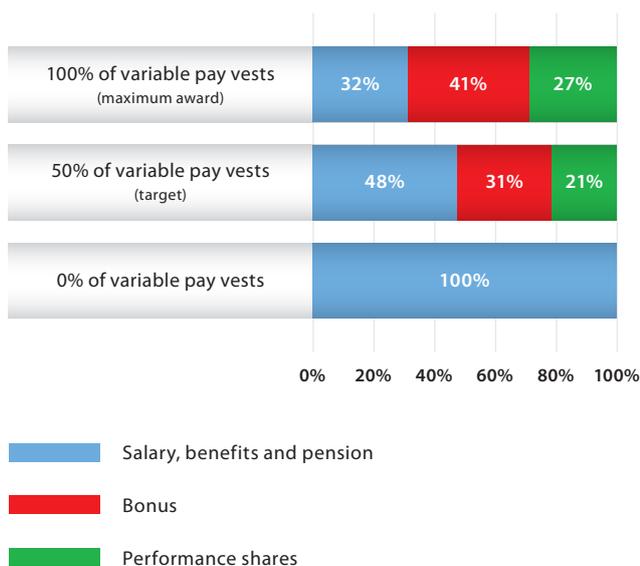
* All dates are for the year ending 30 September in any referenced year

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

There are no elements of remuneration other than basic salary, benefits and pension that are not subject to performance requirements.

The chart below illustrates for both the Chief Executive and Group Finance Director how the remuneration packages vary at different levels of performance under the current policy, shown as a percentage of total remuneration opportunity.



The Group's employees have received an increase of approximately 7% over the same period, including annual cost of living, promotional increases and increases based on exceptional performance.

In connection with the change of Chief Executive, Mr. Lewis is being paid a salary supplement for acting as Interim Group Chief Executive between 1 October 2015 and 30 November 2015. The supplement increases Mr. Lewis's monthly salary to the level of the outgoing Chief Executive for these two months. We are seeking to amend the remuneration policy to include the flexibility to pay such supplements in future where any Executive Director temporarily takes on another Executive Director's role in addition to their own role. The amount of the supplement will always be capped at the salary level of the Executive Director being replaced.

Comparator group of companies for reward benchmarking:

Consort Medical plc	Trifast plc
Diploma PLC	Victrex plc
James Latham plc	Corin Group PLC
Lonrho plc	Future plc
Renishaw plc	Haynes Publishing Group PLC
Renold plc	Helphire Group plc
Scapa Group plc	Latchways plc

Basic salary and benefits

The basic salary for each Executive Director is reviewed every three years by the Remuneration Committee. It is intended that basic salary levels should reflect the median of a suitable comparator group selected according to size, industry sector or location as a suitable benchmark group for the Company and will be paid subject to the Group's wider financial circumstances.

Current basic salary levels are as follows:

	P Slabbert	A Lewis	R Rennie
Year ended 30 September 2015	£330,000	£252,000	n/a
Year commencing 1 October 2015	n/a	£252,000	£300,000
Percentage increase	n/a	0%	n/a

Annual cash bonus

The Executives' annual bonus arrangements are focused on the achievement of the Company's short and medium-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. Bonus payments are not pensionable.

2014/15

For the year ended 30 September 2015, 120% of the Executive Directors' bonus potential, capped at 150% of salary, was based on the achievement of Group financial targets. The remaining 30% was based on achieving measurable personal performance targets, as shown below:

	PC Slabbert	AG Lewis
1. FINANCIAL TARGETS		
(a) Group profit budget achievement (Group PBITE)	25%	25%
Less than 90% of budget pays nothing. Bonus is earned from 90% of budget pro rata up to 110% of budget on a straight line basis. Measured (for foreign exchange translation) at budget exchange rates.		
(b) Profit growth on previous year (year on year PBITE growth)	25%	25%
Bonus will be earned for growth on the previous year between 0% and 10% on a straight line basis. Measured (for foreign exchange translation) at prior year exchange rates (i.e. constant currency measure).		
(c) Group cash generation (ratio of operating cash flow to operating profit)	20%	20%
As reported in the Annual Report and Accounts each year. Pays on a straight line basis where the ratio exceeds 80% up to a maximum of 100%. Excludes exceptional items and other adjustments from both measures.		
(d) Earnings per share growth in excess of 20% over the previous year	50%	50%
Calculated according to a ratchet mechanism set out in more detail below.		
2. PERSONAL PERFORMANCE TARGETS		
A portion of bonus can be earned based on an individual reviewer's assessment of personal performance against personal performance targets set at the beginning of the financial year.	30%	30%
TOTAL potential bonus 2015 as a percentage of basic salary	150%	150%

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Performance measures (a) to (d) were the same as in previous years and closely align the performance of the Executive Directors with the strategy of the Company's business and shareholder value creation. The personal performance targets are a set of non-financial personal targets which also support the delivery of the strategy.

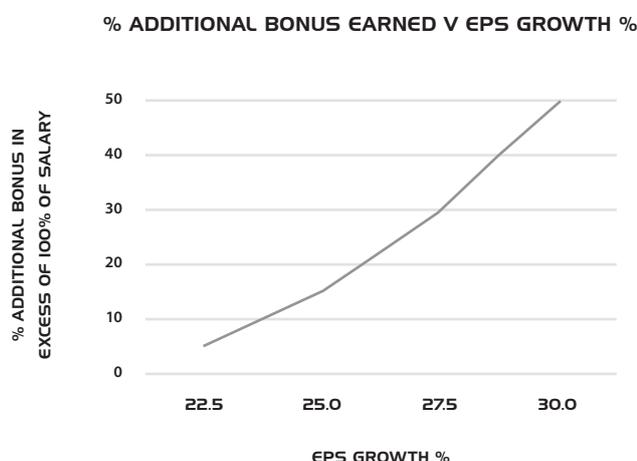
These percentages are fixed for the three years of the current policy and will be reviewed in 2016.

The additional 50% of salary is only payable for truly exceptional performance, calculated according to a ratchet based on earnings per share (EPS). The ratchet only applies to EPS growth in excess of 20% over the previous year.

For an additional 10% of EPS growth above 20% over the previous financial year's EPS (i.e. up to a maximum of 30% EPS growth over the previous financial year's EPS) additional bonus can be earned on a pro rata basis up to the maximum as follows:

PC Slabbert	AG Lewis	EPS measure
5%	5%	for the first 2.5% of additional growth
10%	10%	for the second 2.5% of additional growth
15%	15%	for the third 2.5% of additional growth
20%	20%	for the fourth 2.5% of additional growth

EPS means, in relation to any year, the fully diluted earnings per share of the Company as adjusted to exclude the charge/credit in respect of discontinued operations, exceptional items, the revaluation or impairment of assets, the charge or credit related to IAS 19 (revised) and the amortisation of acquired intangible assets.



The Committee strongly believes it is necessary to incentivise the Executive Directors to deliver truly exceptional performance and to counterbalance the restriction placed on salaries moving forward only at the median level when the Committee is trying to implement a strategy for growth, which continues to be targeted well above the median in the comparator group. This bonus policy is fixed for the life of the current remuneration policy to reflect the challenge placed on the team of achieving sustainable high growth in a non-turnaround situation.

A claw back rule applies if the Group's financial results are restated due to an error during the two years following their release and a deferral rule which provides for 25% of annual bonus payments to be deferred into shares to be held for two years, then treated as shares which are not subject to the executive shareholding guidelines.

This applied for the first time last year in connection with the annual bonus payments made in November 2014 and will be applied again this year.

One off bonus arrangements

The flexibility to pay a one off bonus is being proposed as an addition to the remuneration policy solely to mitigate continuity risk associated with the departure of an Executive Director. The need for this arose during the year in the context of Mr. Slabbert's retirement because the Company has just two Executive Directors. The bonus arrangement was set up on 28 April 2015 in order to retain the services of Mr. Lewis while the recruitment and transition to a new CEO was completed. The arrangement is also designed to reflect the extra work and responsibility Mr. Lewis has to carry during this period. The quantum of this bonus is £200,000 and is subject to a performance condition which is aligned to shareholder interests as follows:

Amount	Payable	Adjustment factor
£150,000	Within 14 days of the announcement of the 2016 interim results	Payment to be multiplied by an adjustment factor set by reference to the Company's relative TSR performance when compared to the FTSE All Share Index excluding investment trusts over the previous 12 months (in respect of the first payment) and 18 months (in respect of the second payment).
£50,000	Within 14 days of the announcement of the 2016 final results	If Avon tracks the FTSE All Share exactly over the period the adjustment factor is 1. For example, if Avon underperforms by 10% the adjustment factor is 0.9, if it outperforms by 10% the adjustment factor is 1.1

In addition, the total amount of the bonus is capped at Mr. Lewis' annual salary of £252,000 and will only be paid if he remains in post and has performed satisfactorily, as determined in the Board's sole discretion, at the time payment is due to be made. Any future one off bonus will be capped at the annual salary of the Executive Director concerned.

The maximum retention bonus payable to Mr. Lewis and the adjustment factors applicable to it will not be altered without prior shareholder approval in general meeting (except for minor amendments to benefit the administration of the arrangement, to take account of legislation or obtain or maintain favourable tax, exchange control or regulatory treatment for Mr. Lewis in the arrangement or for the Company or the Group). Any retention bonus payable to Mr. Lewis will not be pensionable.

Long-term incentive plan - Performance Share Plan (the Plan)

The Remuneration Committee introduced the Plan with shareholder approval at the AGM in 2002 and in 2010 shareholders approved an updated plan. The existing Plan therefore came into effect from 2 March 2010, with the aim of motivating Executive Directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the Plan's performance conditions which are based on total shareholder return (TSR) and earnings per share (EPS). As noted above, the Committee has reviewed the Plan during the year and is proposing a number of amendments for awards going forward and these are summarised below.

The current financial performance conditions remain appropriate for a growing business and the expectations of shareholders over the life of the current policy. They will therefore be applied to the next cycle of awards in December 2015. Non-financial performance conditions are not considered appropriate at the current stage in the development of the Group although this will be kept under review.

The TSR measure takes the total return received by the Company's shareholders in terms of share price growth and dividends over a three-year period and compares it with the total returns received by shareholders in companies within a predetermined and appropriate comparator group.

The EPS measure is based on real growth in earnings over the performance period where real growth is expressed as a percentage above inflation.

Under the Plan, Executive Directors and a limited number of other senior executives and employees receive conditional share awards (which may be in the form of nil-cost options) in respect of the Company's shares. The awards are split so that 50% vests

in accordance with the TSR target and 50% in accordance with the EPS target. The Committee considered as part of its 2015 review whether to make the targets apply concurrently but decided against this, preferring the balance of measures relating to earnings growth and long-term strategic performance that are assessed independently of each other. The actual number of shares that each participant receives depends on the Company's performance over a three-year performance period against the combined EPS/TSR target.

The Committee believes following its review that a three-year performance period remains appropriate for the Company and in line with market practice but is proposing an extended retention period for the proposed awards in excess of 100% of salary as described below.

For the TSR measure, the performance of the Company's shares over the performance period is compared with the TSR performance within a comparator group comprising the FTSE Small Cap Index, excluding investment trusts. The Committee considered whether to create a bespoke comparator group as part of its review but concluded that there are insufficient direct comparator companies of the right size and diversity in the relevant industries to warrant a specific peer group. However, the Committee did conclude that the FTSE All Share Index, excluding investment trusts, represented a more appropriate comparator group for future awards.

Over the 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, 30% of the shares may vest
- If the Company's TSR performance is equal to, or exceeds, the upper quartile TSR of the comparator group, 100% of the shares may vest
- If the Company's TSR performance is between the median and upper quartile TSR of the comparator group, shares may vest on a pro rata basis

The above schedule reflects the Remuneration Committee's intention to reward only TSR performance which outperforms the comparator group and the Committee's view is that measuring this by reference to median and upper quartile placing remains appropriate. In 2011 the Committee reduced the minimum TSR vesting target from 40% to 30%. For the awards due to be made in December 2015 and for all future awards, as a result of the Committee's review, the minimum TSR vesting target will be reduced from 30% to 25% in line with market practice so that participants receive fewer shares for delivering median performance.

REMUNERATION REPORT

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Vesting according to the ranking of the Company's TSR in the peer group	
	% of award vesting
Below median	Nil
Median	30%
Upper quartile	100%

For the EPS measure, the earnings per share over the performance period are compared with a scale which provides for nil vesting at RPI +3% and maximum vesting at RPI +8%, with vesting on a pro rata basis for performance between these two figures. This range was first introduced for the awards made in December 2011 and the Committee believes it remains appropriate. It remains difficult to link the EPS target to broker forecasts which only look out one year, but if inflation is assumed to be 3%, then under the EPS measure the Group has to grow profits by 20% over three years to achieve minimum vesting and by 35% to achieve maximum vesting. These targets are ahead of the expectations for those businesses in the Company's sector where longer-term forecasts are published. For future awards the Committee has decided to amend the calculation of the EPS performance condition to use CPI instead of RPI on the basis that RPI is no longer an approved national statistic.

EPS growth targets	
	% of award vesting
At or less than RPI +3%	Nil
At or greater than RPI +8%	100%

In addition, the Committee has discretion to 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 currently be granted under the Plan rules in any year is 100% of salary. As a result of the Committee's review of the Plan, it is proposed that the 'normal' award level should remain capped at 100% of annual salary per year but that the overall cap should be increased to 200% of salary so that 'special' awards may be made in excess of the normal level in exceptional circumstances, if an appropriate business challenge warrants such treatment e.g. a major acquisition or strategic initiative. The performance conditions for special awards will be financial and will be set at the time the awards are made. They are likely to be a more challenging version of the existing TSR/EPS conditions, but the Committee may decide to use a different financial performance condition if appropriate in the circumstances.

In addition a clean break option is proposed to be introduced for exiting executives. The Committee already has discretion to allow good leaver status on a case by case basis but for added flexibility, the rules are to be amended to allow for a clean break when executives leave. This will permit vesting to be triggered at the point of leaving by reference to performance at that date, rather than waiting until the end of the performance period if the Committee so decides. This, in turn, will allow vesting at rates appropriate to the Board's strategy for managing an exit, for example to offset cash compensation by allowing earlier vesting conditions.

The current remuneration policy is that both the Chief Executive and Group Finance Director should receive 'normal' awards equal to 100% of salary, being the median level identified in the 2011 EY benchmarking report. This is fixed until 2016 when it will be reviewed by reference to a new benchmarking report. The amendment to the Plan rules and remuneration policy described above would provide scope for a further 'special' award each year in exceptional circumstances of up to another 100% of salary.

On a change of control, any vesting of awards will be pro-rated by reference to time and performance.

Under the Plan as introduced in 2010 joint ownership awards were permitted for the first time. In the Company's case, historically savings in National Insurance Contributions resulting from this were not offset by the loss of corporation tax credits because of the presence of historic corporation tax losses in the UK but this situation may start to reverse in 2016.

The Company loans recipients the small up-front cost of purchasing their interest in the joint ownership award shares. For consistency the Executive Directors have been treated in the same way as other recipients and have therefore received small loans in connection with their outstanding awards. The total value of the loans received by the Executive Directors is capped at £10,000.

As announced to shareholders in December 2014, joint ownership awards, nil cost options and conditional awards of shares were granted under the 2010 Plan to the Executive Directors, members of the Group Executive management team and other valued employees. A further normal award will be made in December 2015 within the existing parameters of the Plan as described above and at 100% of salary for both the new Chief Executive and Group Finance Director. Special awards in excess of 100% of salary can only be made following approval of the Plan amendments at the annual general meeting in January 2016. Assuming this is approved, these will be notified to shareholders if and when they are made.

Shareholding guidelines

Under shareholding guidelines originally approved in 2004, executives participating in the Performance Share Plan are required to build up and retain a shareholding in the Company. For Executive Directors the shareholding requirement was originally equivalent to 1.5 times base salary but this was increased to two times base salary for awards vesting after December 2014. For other recipients the shareholding requirement is equivalent to one times base salary. The Executive Directors and other members of the Group Executive management team are required to retain a portion of any awards that vest under the Plan until their respective shareholding guideline is met. Once the shareholding guideline is met executives are not required to retain any portion of future awards that vest.

It is not proposed to amend the above guidelines in respect of future normal awards under the Plan. For the new special awards in excess of 100% of salary, a two year mandatory holding period will be introduced following the three year performance period for such awards. At the end of this period the shares subject to the award will not be subject to the shareholding guidelines for normal awards and may be sold.

Dilution

The Company reviews the awards of shares made under the all employee and executive share plans in terms of their effect on dilution limits in any rolling ten-year period. The current position is set out on page 75 of this report and no change to this is proposed. In summary, in 2011 shareholders approved a 15% dilution limit for all employee schemes which is in excess of the 10% recommended by the ABI, and a 10% dilution limit for discretionary (executive) schemes which is in excess of the 5% recommended by the ABI. At the time the Company committed to consult with certain institutional shareholders before exceeding the 10% limit but has never had cause to do this and has no plans to exceed 10% in future. In practice there is therefore a 10% dilution limit on all schemes which the Company will continue to operate within, including when utilising the higher salary cap proposed under the Performance Share Plan and the new CSOP and ISO plans.

Other share plans

Shareholders approved the introduction of the Avon Rubber p.l.c. Share Incentive Plan (the SIP) at the AGM in February 2012. All UK tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP, participants purchase shares in the Company monthly using deductions from their pre-tax pay. The maximum contribution each month under the SIP is £150, a sum which is set by the Government. Both Mr. Slabbert and Mr. Lewis participated in the SIP at the maximum level during the year.

Shareholders also approved the introduction of the Avon Rubber p.l.c. Employee Stock Purchase Plan (the ESPP) at the AGM in February 2012. The ESPP is open to all US tax resident employees and allows participants to accumulate deductions from their post-tax pay over an offering period of 12 months. The maximum contribution for each 12 month period is \$3,000. At the conclusion of the offering period the accumulated funds are used to purchase the Company's shares at a discount. Neither Mr. Slabbert nor Mr. Lewis are eligible to participate in the ESPP.

This year shareholders are being asked to approve the introduction of two new share option schemes, the Avon Rubber p.l.c. 2015 Share Option Plan (the CSOP) in the UK and the Avon Rubber p.l.c. 2015 Incentive and Non-Qualified Stock Option Plan (the ISO) in the US. Further details on how the schemes operate are set out on pages 144 to 146. Awards under both schemes are targeted at junior management and may be supplemented by unapproved share options. Neither Mr. Lewis nor the new Chief Executive will be granted awards under the CSOP and neither will be entitled to participate in the ISO.

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FOR THE YEAR ENDED 30 SEPTEMBER 2015

Pension arrangements

Mr. Slabbert and Mr. Lewis are both based in the UK and are members of the Avon Rubber Retirement and Death Benefits Plan. Until 30 September 2009, when the final salary section of the Plan closed to future accrual of benefits, Mr. Slabbert was a member of the Senior Executive Section which provided members with a defined level of benefit on retirement depending on length of service and earnings. Members can receive a pension of up to two-thirds of pensionable salary on retirement from age 60, provided the minimum service requirement of 20 years has been met. On death in service, a lump sum of four times pensionable salary is paid, along with a spouses' 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. At the time the final salary section of the Plan closed to future accrual of benefits, in return for Mr. Slabbert giving up this valuable benefit, the Company and the Trustee agreed to enter into a special benefit arrangement. Under this arrangement for each complete year subsequently worked by Mr. Slabbert, the age by reference to which a reduction would be applied to his pension if he chose to draw it early would reduce by 5/8ths of a year, with the end result that after eight years, no reduction would apply if Mr. Slabbert retired on or after his 55th birthday. On retirement on 30 September 2015 the age at which Mr. Slabbert may take his pension unreduced was crystallised at 56 years and 3 months, having reduced by 5/8ths of a year over the year to 30 September 2015.

Under the current remuneration policy any UK-based Executive Directors joining the Company are offered defined contribution arrangements.

Mr. Lewis is a member of the money purchase section of the Plan. Under this section members receive a pension based upon the size of their retirement account on retirement from age 65. On death in service, a lump sum of four times pensionable salary is paid, along with a spouse's pension of one quarter of the member's pensionable salary. Both Mr. Slabbert and Mr. Lewis receive a company pension contribution of 15% of salary.

In January 2012, Mr. Slabbert's total pension benefits reached the standard lifetime allowance of £1.8m and he ceased making contributions into the money purchase section of the Plan.

Monthly contributions have been paid to Mr. Slabbert as a salary supplement since then and until his retirement on 30 September 2015. Mr. Slabbert remained covered by the death in service insurance until his retirement notwithstanding that he was no longer an active member of the Plan.

Executive Directors' basic salaries and any salary supplements are the only pensionable element of their remuneration packages.

There is no intention to increase pension contributions to the Executive Directors during the life of the current policy.

Service contracts and policy on payments for loss of office

The Company's policy is that Executive Directors should normally be employed under a contract which may be terminated by either the Company or the Executive Director giving 12 months' notice. The Company may terminate the contract with immediate effect with or 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. There are no obligations to make payments beyond those disclosed elsewhere in this report.

The Remuneration Committee may vary these terms if the particular circumstances surrounding the appointment of a new executive director demand it but this would be exceptional and has never occurred. The above terms were included in the contract signed by the new Chief Executive. The parameters for varying the contractual terms on recruitment are described in the guiding policy section above.

The Remuneration Committee strongly endorses the obligation on an executive director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded. The Executive Directors' contracts contain early termination provisions consistent with the policy outlined above.

The arrangements for Mr. Slabbert's retirement are set out in detail in the annual report on remuneration. In summary, Mr. Slabbert was paid his base salary up until he retired on 30 September 2015. He also received his full annual bonus entitlement for the 2015 financial year on the basis that he had worked the full year and because of exceptional results being reported this year. He will remain covered by the Company medical insurance until next renewal in April 2016. Mr. Slabbert has been treated as a good leaver pursuant to the rules of the Performance Share Plan. As such his 2012 award, the three-year performance period for which ran until 30 September 2015, has not been pro-rated and will be permitted to vest in full if the performance conditions are met. The subsequent 2013 and 2014 awards, which have three year performance periods running to 30 September 2016 and 2017 respectively, have been pro-rated as set out on pages 74 and 75.

Under the special benefit arrangement for Mr. Slabbert, he could draw his pension early at the age of 56 years and 3 months on an unreduced basis.

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

	Contract date	Years to expected retirement	Company notice period	Executive notice period
AG Lewis	28 September 2009	22	12 months	12 months

During the year, with the permission of the Chairman, Mr. Slabbert was appointed as a Non-Executive Director of Carclo plc and was permitted to retain the fees paid to him by Carclo. Mr. Lewis is not currently appointed as a non-executive director of any limited company outside the Group. The Remuneration Committee will consider its approach to the treatment of any fees received by Executive Directors in respect of non-executive roles as they arise.

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors receive a fixed fee for their services. Fee levels are determined by the Board in light of market research and benchmarking advice provided by EY. Under the policy approved by shareholders in February 2014, fee levels for the Chairman and Non-Executive Directors are benchmarked every three years and adjusted to the median level of the comparator group. The aim is to provide compensation in line with the demands of the roles at a level that attracts high calibre individuals and reflects their experience and knowledge. The first increases pursuant to this benchmarking were made on 1 October 2014 and fees are now fixed until October 2017. The Chairman and the Non-Executive Directors do not participate in any Board discussions on, or vote on their own remuneration, nor do they participate in any incentive or benefit plans.

Current fees are as follows:

	2016	2015	% increase
Chairman	£125,000	£125,000	-
Base fee Non-Executive	£38,500	£38,500	-
Committee Chairman fee	£10,000	£10,000	-
Committee attendance fee	£2,000	£2,000	-

The Chairman and the Non-Executive Directors each have a letter of appointment. Mrs. S Pirie retired at the annual general meeting on 29 January 2015 and was replaced by Mr. P Vervaat on 1 March 2015. Mr. Vervaat has been appointed on a rolling annual basis. The initial period of appointment for Mr. D Evans was three years and this was extended on a rolling annual basis on 31 May 2010. Mr. R Wood was appointed on a rolling annual basis with effect from 1 December 2012.

Chairman and Non-Executive Director appointments are subject to Board approval and election by shareholders at the annual general meeting following appointment and, thereafter, re-election by rotation every three years. The Chairman and any Non-Executive Director who has served for more than nine years since first election are subject to annual re-election by shareholders.

All Non-Executive Director appointments may be terminated on giving three months' notice. 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 by shareholders.

	Date of initial appointment	Date of last re-election
DR Evans	1 June 2007	7 February 2013
SJ Pirie OBE (retired 29 January 2015)	1 March 2005	6 February 2014
RK Wood	1 December 2012	29 January 2015
PRM Vervaat	1 March 2015	n/a

Annual report on remuneration

The information that follows has been audited by the Company's auditors PricewaterhouseCoopers LLP.

Directors' remuneration for the year ended 30 September 2015 was as follows:

	Basic salary and fees £000	Pension/ other supplements £000	Annual bonus* £000	Other benefits** £000	Total 2015 £000	Total 2014 £000
Executive Directors						
AG Lewis	252	38	335	2	627	662
PC Slabbert (highest paid Director)	330	50	448	3	831	835
Non-Executive Directors						
DR Evans (Chairman)	125	-	-	3	128	104
SJ Pirie OBE (resigned 29 January 2015)	22	-	-	-	22	45
PRM Vervaat (appointed 1 March 2015)	29	-	-	-	29	-
RK Wood	51	-	-	-	51	45
Total 2015	809	88	783	8	1,688	
Total 2014	772	88	822	9		1,691

* 2015 bonus payments as a percentage of salary were 136% for Mr Slabbert and 133% for Mr Lewis, against maximum percentages of 150%.

** This is the cost of private health insurance, executive medical and the benefit of loans made in relation to PSP awards. No Director waived emoluments in respect of the year ended 30 September 2015 (2014: nil).

Single total figure of remuneration

The following table gives a single total figure of remuneration for the Chief Executive and Group Finance Director for 2015, 2014 and 2013. The principal additional component included in this single figure is the Performance Share Plan.

		Fixed pay				Pay for performance			Total Remuneration £000
		Basic salary £000	Pension/ other supplements £000	Benefits in kind £000	Subtotal £000	Annual bonus £000	PSP* £000	Subtotal £000	
P.C. Slabbert	2015	330	50	3	383	448	604	1,052	1,435
	2014	330	50	3	383	452	703	1,155	1,538
	2013	280	42	3	325	241	808	1,049	1,374
A.G. Lewis	2015	252	38	2	292	335	345	680	972
	2014	252	38	2	292	370	388	758	1,050
	2013	200	30	2	232	149	397	546	778

* Calculated by multiplying the number of shares that vested by the share price on the day of vesting, which in 2015 was 720p (96% vesting), in 2014 was 570p (100% vesting) and in 2013 was 351p (100% vesting).

The table of Directors' remuneration for the year ended 30 September 2015 above gives the single total figure for the Non-Executive Directors for 2015, 2014 and 2013.

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Percentage change in remuneration of the CEO compared with other employees (unaudited)

The Committee believes it remains inappropriate to compare the percentage change in remuneration of the CEO with the wider workforce because an increase within the last three years brought the CEO's salary (and those of other executives) up to the median level, whereas the wider workforce were largely already at the median level. Nevertheless in line with current practice, we have reported changes in the CEO's remuneration against the wider workforce. As the CEO's salary is now at the median level, future increases to keep track with the median, which will occur every three years, should start to align with the total of annual increases made to other employees each year when measured over a three-year period.

The following table sets out the percentage change in remuneration between the reported year and the preceding year in certain aspects of the CEO's remuneration and the average of employees across the Group:

	CEO			All employees		
	2012/2013	2013/2014	2014/2015	2012/2013	2013/2014	2014/2015
Salary	0%	+18%	0%	+3%	+3%	+3%
Benefits	0%	0%	0%	0%	0%	0%
Annual Bonus	+126%	+88%	-1%	+74%	+15%	+8%

The ratio of CEO fixed pay to average employee fixed pay is 11.3 :1 for the year under review.

Relative importance of spend on pay (unaudited)

The following table shows actual expenditure of the Group and the change in expenditure between current and previous financial periods on remuneration paid to all employees globally, set against distributions to shareholders and other uses of profit or cash flow being profits retained within the business and investments in research and development and property, plant and equipment:

	Global remuneration spend	Other expenditure in £'000 and as a percentage of global remuneration spend							
		Dividends to shareholders		Profit retained		Research and development expenditure		Expenditure on property, plant and machinery	
	£'000	£'000	%	£'000	%	£'000	%	£'000	%
2015	34,344	1,859	5.4%	11,807	34.4%	7,139	20.8	3,222	9.4
2014	32,423	1,422	4.4%	9,389	29.0%	7,046	21.7%	3,731	11.5%
2013	33,314	1,132	3.4%	7,705	23.1%	6,407	19.2%	6,175	18.5%

Annual bonus

The Remuneration Committee determined at its meeting on 10 November 2015 that the criteria for making an award under the annual bonus scheme had been met. No discretion was exercised by the Committee to reduce or increase payments. The breakdown is as follows:

	PC Slabbert		AG Lewis	
	Actual	Max.	Actual	Max.
1. Financial Targets				
(a) Group profit budget achievement (Group PBITE)	18%	25%	18%	25%
(b) Profit growth on previous year (year on year PBITE growth)	25%	25%	25%	25%
(c) Group cash generation (ratio of operating cashflow to operating profit)	20%	20%	20%	20%
(d) Earnings Per Share growth (ratchet based on additional EPS growth above 20% over the previous financial year)	43%	50%	43%	50%
2. Personal Performance Targets	30%	30%	27%	30%
Total potential bonus as a percentage of basic salary	136%	150%	133%	150%

Actual performance against the targets has not been reproduced because it is commercially sensitive.

Pensions

The following information relates to the pension of Mr. P Slabbert under the defined benefit scheme:

	£
Increase in accrued pension during 2014/15	850
Accrued pension at 30 September 2015	68,988

The age at which Mr. P Slabbert may take his pension unreduced was reduced by 5/8ths of a year over the year to 30 September 2015. On retirement on 30 September 2015 the age at which Mr. P Slabbert may take his pension unreduced was crystallised at 56 years and 3 months having reduced by 5/8ths of a year over the year to 30 September 2015.

On closure of the defined benefit scheme Mr Slabbert joined the money purchase section of the plan. Company contributions in respect of Mr Slabbert during the year were nil (2014: nil) because Mr Slabbert reached the standard lifetime allowance in January 2012. During the year £50,000 (2014: £50,000) was paid to Mr Slabbert in monthly instalments as a salary supplement.

In respect of Mr. A Lewis, Company contributions to the money purchase section of the plan were £38,000 (2014: £38,000).

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

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

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 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 Mr Slabbert at 30 September 2015 was £336,663 (2014: £328,157).

Directors' shareholdings and share 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
SJ Pirie (resigned 29 January 2015)	n/a	73,000
DR Evans	40,000	40,000
RK Wood	-	-
PC Slabbert	145,357*	202,645
AG Lewis	87,055**	121,110
PRM Vervaat	-	-

* Includes 7,477 shares held under the annual bonus deferral scheme

** Includes 5,710 shares held under the annual bonus deferral scheme

Interests in jointly owned shares held by the Executive Directors under the Performance Share Plan are excluded from the above and detailed separately on page 75.

The only change in the interests set out above between 30 September 2015 and 17 November 2015 were the additional shares bought by Mr. A Lewis under the Share Incentive Plan, which increased his total shareholding to 87,083.

The register of Directors' interests contains details of Directors' shareholdings and share options. The position under the shareholding guidelines for the Executive Directors is set out on page 75.

Performance Share Plan 2010 (the Plan)

For grants of joint ownership awards, options or conditional awards made to date pursuant to the Plan, the performance conditions have been based on the Company's TSR relative to the TSR of a comparator group, comprising the FTSE Small Cap companies (excluding investment trusts). For the Cycles granted in 2012/13, 2013/14 and 2014/2015 a split performance condition applied so that 50% of the award vests in accordance with the TSR target and 50% in accordance with an EPS target based on real growth in earnings over the performance period where real growth is expressed as a percentage above inflation.

The twofold test based on TSR performance and EPS is in line with market practice and encourages management to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer term shareholder return. The twofold test was used again for the 2014/15 awards. Back in 2011, the Committee set the EPS target as nil vesting at RPI +3% and maximum vesting at RPI +8% with vesting on a pro rata basis in between these two figures. This EPS target was used again for the 2014/15 awards.

The Committee determined in December 2014 that the 2011/12 award vested in part on the basis that (i) the TSR over three years from 1 October 2011 to 30 September 2014 was 92% of the upper quartile of the comparator group and so 46% of the available 50% vested; (ii) the result of the EPS performance condition was 355% which equated to a 50% vesting out of the 50% available. As a consequence, and as announced to shareholders in December 2014, 84,000 shares were awarded to Mr. Slabbert and 48,000 were awarded to Mr. Lewis.

The Directors' contingent interests in ordinary shares under the Plan at 30 September 2015 were as follows:

Outstanding awards granted annually under the Plan were as follows:

	30 Sept 2014	Granted in the year*	Exercised in the year**	Lapsed in the year	30 Sept 2015***
PC Slabbert	226,489	45,821	(84,000)	(53,024)	135,286
AG Lewis	140,364	34,990	(48,000)	(2,000)	125,354
Other senior employees****	560,063	157,350	(195,130)	(13,300)	508,983
Total	926,916	238,161	(327,130)	(68,324)	769,623

* The award price at the date of grant was 720.2 pence

** The market price at the vesting date for the 2011/12 award was 715.0 pence

*** The weighted average remaining life of the awards outstanding at the year-end is 1.1 years (2014: 1.6 years).

**** This figure includes 180,383 (2014: 201,755) in respect of key management as defined in note 9 of the financial statements.

Outstanding awards granted annually under the Plan were as follows:

	2012	2013	2014	Total at 30 Sept 2015*
PC Slabbert	82,063	37,950	15,273	135,286
AG Lewis	46,893	43,471	34,990	125,354
Other senior employees	204,487	147,146	157,350	508,983
Total	333,443	228,567	207,613	769,623

* In relation to the awards outstanding at 30 September 2015, deferred loan payments for the awards granted in 2012/2013, 2013/2014 and 2014/2015 will become due to the Company as follows: PC Slabbert £10,000 (2014: £10,000); AG Lewis £10,000 (2014: £10,000).

The award price for the 2014/2015 was 720.2 pence, for the 2013/14 award it was 579.7 pence, for the 2012/13 award it was 349.5 pence and for the 2011/12 award it was 300.0 pence.

PSP performance period ending	30 Sept 2011 (Cycle A)	30 Sept 2012 (Cycle B)	30 Sept 2013 (Cycle C)	30 Sept 2014 (Cycle D)	30 Sept 2015 ³ (Cycle E)	30 Sept 2016 ⁴ (Cycle F)	30 Sept 2017 ⁴ (Cycle G)
TSR element ¹	100%	100%	100%	50%	50%	50%	50%
EPS element ²	-	-	-	50%	50%	50%	50%
Total exercisable rate (% of grant)	100% ⁵	100% ⁶	100% ⁷	96% ⁸	-	-	-

- Based on Avon Rubber p.l.c.'s Total Shareholder Return ranked relative to companies in the FTSE Small Cap Index at the start of the period.
- Based on the real growth in earnings over the performance period where real growth is expressed as a % above inflation.
- The three-year performance period in respect of these awards is complete but vesting is not determined until the end of November following release of the Group results. 100% of the awards are currently expected to vest.
- The three year performance periods in respect of these awards is not yet complete.
- These awards were reduced to 69% of entitlement to remain within the 5% dilution limit previously contained in the Plan rules. They vested in full in December 2011 on the basis of a Company TSR of 905% compared to the upper quartile of the comparator group at 131%.
- These awards vested in full in December 2012 on the basis of a Company TSR of 265% compared to the upper quartile of the comparator group at 63%.
- These awards vested in full in December 2013 on the basis of a Company TSR of 214% compared to the upper quartile of the comparator group at 122%.
- These awards vested at 96% in December 2014 on the basis of a Company TSR of 131% compared to the upper quartile of the comparator group at 138% and EPS growth of 81%.

Position under shareholding guidelines

	Shareholding as at 30 Sept 2015* Number of shares	Actual Value** £000	Target Value*** £000	Achievement**** %	Shares held voluntarily in excess of guideline Number of shares
PC Slabbert	137,880	1,260	660	382	65,670
AG Lewis	81,345	743	504	295	26,202

* Taken from the table on page 74.

** Using the closing share price on 30 September 2015 of 914 pence.

*** 200% of current salary for Executive Director's salaries used are those effective 1 October 2015.

**** Actual value as a percentage of current salary.

Dilution

In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 7.6% and 9.7% respectively based on the issued share capital at 30 September 2015.

Under the Plan the 5% limit was increased to 10% and, in 2011, the 10% limit was increased to 15% to preserve the 10% limit for discretionary plans in connection with the introduction of the all employee Share Incentive Plan.

At the time the Company committed to consult with certain institutional shareholders before exceeding the 10% limit but has never had cause to do this and has no plans to exceed 10% in future. In practice there is therefore a 10% dilution limit on all schemes which the company intends to operate within, including when utilising the higher salary cap proposed under the Performance Share Plan and the new CSOP and ISO plans.

As at 30 September 2015, the number of shares committed under discretionary share-based incentive schemes since 30 September 2005, less the number of shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trust gives 2,356,600 shares. This represents 7.6% dilution against the 10% discretionary plan dilution limit.

As at 30 September 2015, the number of shares committed under all employee share-based incentive schemes since 30 September 2005, less the number of shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trust gives 3,007,146 shares which represents 9.7% dilution against the 15% all employee plan dilution limit.

It remains the Company's practice to use employee share ownership trusts in order to meet its liability for shares awarded under the Plan. Two trusts have been established, the second in March 2010 in connection with the jointly owned equity awards. At 30 September 2015 there were 887,315 shares held in the Employee Share Ownership Trusts which will either be used to satisfy awards granted under the Plan to date, or in connection with future awards. Of these, 500,921 were held on a jointly owned equity basis. A hedging committee ensures that the employee share ownership trusts hold sufficient shares to satisfy existing and future awards made under the Plan by buying shares in the market or causing the Company to issue new shares.

REMUNERATION REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Total shareholder return performance graph

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last five years relative to the FTSE Small Cap Index (excluding investment trusts). This index was chosen by the Remuneration Committee as a competitive indicator of general UK market performance for companies of a similar size.

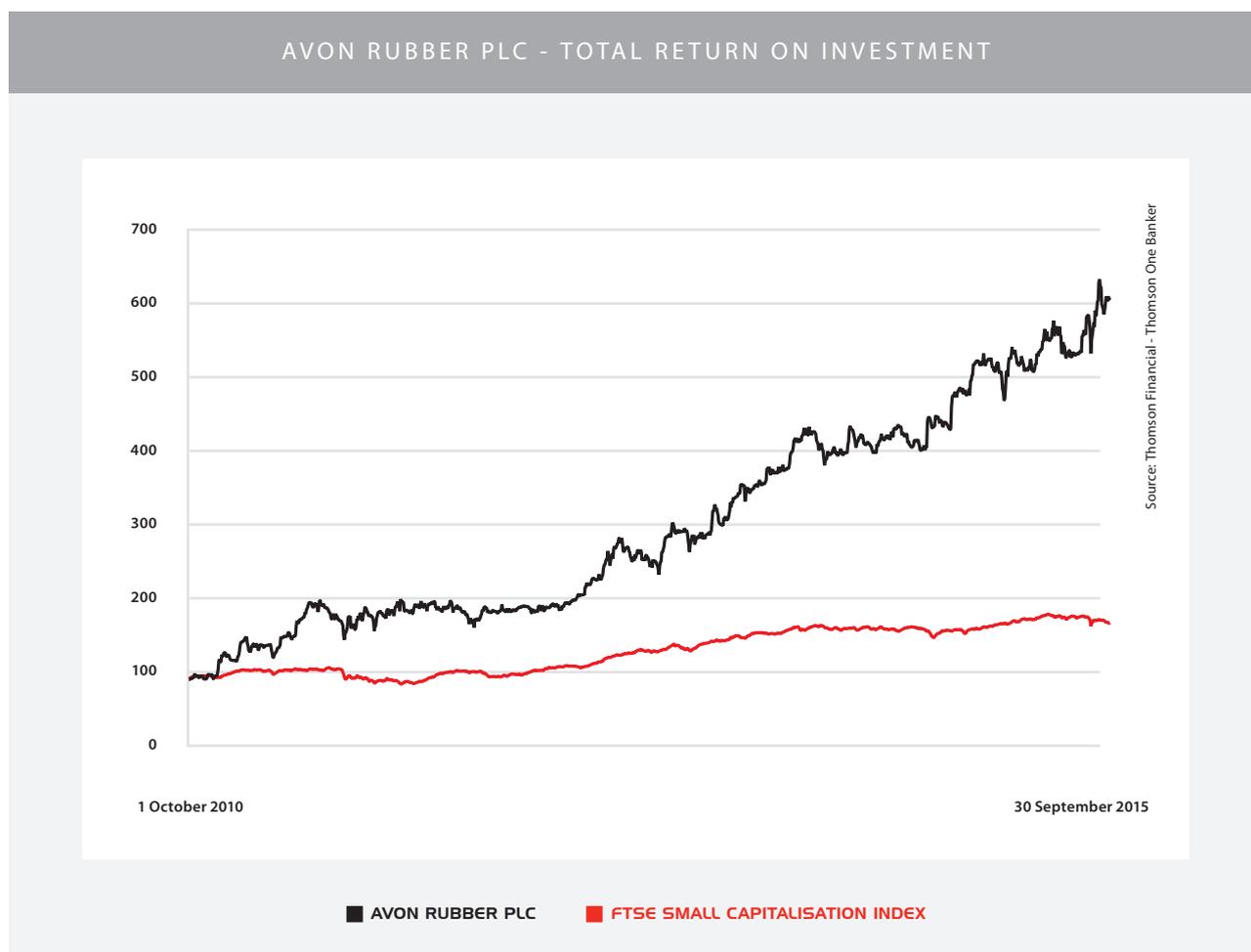


Table of historic data

	CEO	CEO single figure of total remuneration £000	Annual bonus pay out against maximum opportunity	Long-term incentive vesting rates against maximum opportunity
2015	PC Slabbert	1,435	91%	96%
2014	PC Slabbert	1,538	91%	100%
2013	PC Slabbert	1,374	86%	100%
2012	PC Slabbert	1,864	40%	100%
2011	PC Slabbert	404	74%	nil

Share Incentive Plan

During the year to 30 September 2015 Mr. Slabbert and Mr. Lewis each purchased 235 shares pursuant to the Share Incentive Plan.

As at 30 September 2015, the market price of Avon Rubber p.l.c. shares was £9.14 (2014: £6.15). During the year the highest and lowest market prices were £9.51 and £6.20 respectively.

Payments to past Directors and payments for loss of office

There have been no payments to past Executive Directors or payments for loss of office.

Statement of implementation of remuneration policy in the following year

Information required under this disclosure is contained in the table on pages 60 to 61 and associated commentary.

Details of the advisors to the Remuneration Committee and their fees

During the year to 30 September 2015 the Company incurred costs of £16,350 (2014: £11,750) in respect of fees for advisors to the Remuneration Committee.

Statement of shareholder voting on the Remuneration Report

The shareholder vote on the Remuneration Report for the year ended 30 September 2014 at the AGM which took place on 29 January 2015 was as follows:

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the remuneration report	20,647,982	99.03	200,738	0.96	20,848,630	34,562

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



Richard Wood
Chairman of the Remuneration Committee
17 November 2015



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 Statutory £'000	2015 Adjustments* £'000	2015 Adjusted £'000	2014 Statutory £'000	2014 Adjustments* £'000	2014 Adjusted £'000
Continuing operations							
Revenue	1	134,318	-	134,318	124,779	-	124,779
Cost of sales		(88,618)	-	(88,618)	(83,264)	-	(83,264)
Gross profit		45,700	-	45,700	41,515	-	41,515
Selling and distribution costs		(13,007)	-	(13,007)	(11,505)	-	(11,505)
General and administrative expenses		(13,807)	1,329	(12,478)	(15,685)	2,678	(13,007)
Operating profit	1	18,886	1,329	20,215	14,325	2,678	17,003
Operating profit is analysed as:							
Before depreciation and amortisation		26,981	286	27,267	20,486	2,417	22,903
Depreciation and amortisation	11,12	(8,095)	1,043	(7,052)	(6,161)	261	(5,900)
Operating profit		18,886	1,329	20,215	14,325	2,678	17,003
Finance income	4	45	-	45	1	-	1
Finance costs	4	(192)	-	(192)	(275)	-	(275)
Other finance expense	4	(901)	654	(247)	(187)	12	(175)
Profit before taxation	5	17,838	1,983	19,821	13,864	2,690	16,554
Taxation	6	(2,672)	(253)	(2,925)	(3,053)	(450)	(3,503)
Profit for the year from continuing operations		15,166	1,730	16,896	10,811	2,240	13,051
Discontinued operations - loss for the year	3	(1,500)	1,500	-	-	-	-
Profit for the year		13,666	3,230	16,896	10,811	2,240	13,051
Other comprehensive income/(expense)							
<i>Items that are not subsequently reclassified to the income statement</i>							
Actuarial loss recognised on retirement benefit scheme	10	(1,040)	-	(1,040)	(4,851)	-	(4,851)
Deferred tax relating to retirement benefit scheme		3,321	-	3,321	-	-	-
<i>Items that may be subsequently reclassified to the income statement</i>							
Net exchange differences offset in reserves		3,311	-	3,311	(306)	-	(306)
Other comprehensive income/(expense) for the year, net of taxation		5,592	-	5,592	(5,157)	-	(5,157)
Total comprehensive income for the year		19,258	3,230	22,488	5,654	2,240	7,894
Earnings per share							
Basic	8	45.4p		56.1p	36.2p		43.7p
Diluted		44.2p		54.6p	35.0p		42.3p
Earnings per share from continuing operations							
Basic	8	50.4p		56.1p	36.2p		43.7p
Diluted		49.0p		54.6p	35.0p		42.3p

* See note 3 for further details of adjustments.

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets	11	41,309	17,240
Property, plant and equipment	12	28,212	19,575
Deferred tax assets	6	4,574	-
		74,095	36,815
Current assets			
Inventories	13	17,123	12,887
Trade and other receivables	14	17,023	19,157
Derivative financial instruments	19	3	2
Cash and cash equivalents	15	332	2,925
		34,481	34,971
Liabilities			
Current liabilities			
Borrowings	17	2,350	-
Trade and other payables	16	17,150	17,755
Provisions for liabilities and charges	18	855	1,846
Current tax liabilities		6,823	6,852
		27,178	26,453
Net current assets			
		7,303	8,518
Non-current liabilities			
Borrowings	17	11,143	-
Deferred tax liabilities	6	9,734	2,315
Retirement benefit obligations	10	16,605	16,029
Provisions for liabilities and charges	18	1,712	1,973
		39,194	20,317
Net assets			
		42,204	25,016
Shareholders' equity			
Ordinary shares	20	31,023	31,023
Share premium account	20	34,708	34,708
Capital redemption reserve		500	500
Translation reserve		2,379	(932)
Accumulated losses		(26,406)	(40,283)
Total equity		42,204	25,016

These financial statements on pages 78 to 118 were approved by the Board of Directors on 17 November 2015 and signed on its behalf by:

David Evans

David Evans

Andrew Lewis

Andrew Lewis

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from continuing operating activities before the impact of exceptional items		24,053	26,500
Cash impact of exceptional items		(1,192)	(983)
Cash generated from continuing operations		22,861	25,517
Cash used in discontinued operations		(1,529)	-
Cash generated from operations	21	21,332	25,517
Finance income received		45	1
Finance costs paid		(192)	(315)
Retirement benefit deficit recovery contributions		(800)	(513)
Tax paid		(3,270)	(2,903)
Net cash generated from operating activities		17,115	21,787
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		21	19
Purchase of property, plant and equipment		(3,222)	(3,753)
Capitalised development costs and purchased software		(2,961)	(3,062)
Acquisition of subsidiaries	26	(21,249)	(50)
Net cash used in investing activities		(27,411)	(6,846)
Cash flows from financing activities			
Net movements in loans	22	10,605	(10,805)
Dividends paid to shareholders	7	(1,859)	(1,422)
Purchase of own shares	20	(1,152)	-
Net cash generated from/(used in) financing activities		7,594	(12,227)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(2,702)	2,714
Cash, cash equivalents and bank overdrafts at beginning of the year		2,925	184
Cash, cash equivalents and bank overdrafts acquired on acquisitions		12	-
Effects of exchange rate changes		97	27
Cash, cash equivalents and bank overdrafts at end of the year	22	332	2,925

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 October 2013		30,723	34,708	(126)	(44,609)	20,696
Profit for the year		-	-	-	10,811	10,811
Unrealised exchange differences on overseas investments		-	-	(306)	-	(306)
Actuarial loss recognised on retirement benefit scheme	10	-	-	-	(4,851)	(4,851)
Total comprehensive income/(expense) for the year		-	-	(306)	5,960	5,654
Dividends paid		-	-	-	(1,422)	(1,422)
Issue of shares	20	300	-	-	-	300
Purchase of shares by the employee benefit trust	20	-	-	-	(300)	(300)
Movement in respect of employee share scheme	24	-	-	-	88	88
At 30 September 2014		31,023	34,708	(432)	(40,283)	25,016
Profit for the year		-	-	-	13,666	13,666
Unrealised exchange differences on overseas investments		-	-	3,311	-	3,311
Actuarial loss recognised on retirement benefit scheme	10	-	-	-	(1,040)	(1,040)
Deferred tax relating to retirement benefit scheme	6	-	-	-	3,321	3,321
Total comprehensive income for the year		-	-	3,311	15,947	19,258
Dividends paid	7	-	-	-	(1,859)	(1,859)
Movement in shares held by the employee benefit trust	20	-	-	-	(971)	(971)
Movement in respect of employee share schemes	24	-	-	-	85	85
Deferred tax relating to employee share schemes	6	-	-	-	675	675
At 30 September 2015		31,023	34,708	2,879	(26,406)	42,204

Other reserves consist of the capital redemption reserve of £500,000 (2014: £500,000) and the translation reserve of £2,379,000 (2014: (£932,000)).

All movement in other reserves relates to the translation reserve.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention except for financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss.

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

Recent accounting developments

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) or by the IFRIC.

The Group's approach to these is as follows:

- a) Standards, amendments and interpretations effective in 2015

The following standards and amendments have been adopted for the year ended 30 September 2015 but have no impact on the Group financial statements:

- IAS 32, 'Offsetting Financial Assets and Financial Liabilities'
- IAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets'
- IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting'
- IFRIC 21, 'Levies'
- Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities'
- Amendments to IAS 19, 'Defined Benefit Plans: Employee Contributions'
- Annual improvements cycle 2010-2012
- Annual improvements cycle 2011-2013

- b) Standards, amendments and interpretations to existing standards issued but not yet effective in 2015 and not early adopted

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2014, have not been adopted early and are not expected to have a material impact on the Group financial statements:

- IFRS 9, 'Financial instruments'
- IFRS 14, 'Regulatory Deferral Accounts'
- IFRS 15, 'Revenue from Customer Contracts'
- Amendments to IAS 1, 'Disclosure initiative'
- Amendment to IFRS 10 and IAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Applying the consolidation exemption'
- Amendments to IFRS 11, 'Accounting for Acquisition Interests in Joint Operations'
- Amendments to IAS 16 and IAS 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IAS 16 and IAS 41, 'Agriculture – Bearer Plants'
- Amendments to IAS 27, 'Equity Method in Separate Financial Statements'
- Annual improvements cycle 2012-2014

Basis of consolidation

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

Subsidiaries are all entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity and the ability to use its power to affect the amount of the Group's returns.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Foreign currencies

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

- assets and liabilities are translated at the closing rate at the balance sheet date; and
- income and expenses are translated at average rates.

All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, the cumulative amount of such exchange difference is recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

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

Revenue

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of trade discounts and sales-related taxes. Revenue is recognised when the risks and rewards of the underlying sale have been transferred to the customer, and when collectability of the related receivables is reasonably assured. Transfer of risks and rewards is determined with reference to shipping terms or when a separately identifiable phase of a contract or customer-funded development has been completed and accepted by the customer.

Segment reporting

Segments are identified based on management information provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive team. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The chief operating decision-maker assesses the performance of the operating segments based on the measures of revenue, EBIT and EBITDA. Central overheads, finance income and expense and taxation are not allocated to the business segments.

Exceptional items

Transactions are classified as exceptional where they relate to an event that falls outside of the ordinary activities of the business and where individually or in aggregate they have a material impact on the financial statements.

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur, as part of other comprehensive income. Costs associated with investment management are deducted from the return on plan assets. Other expenses are recognised in the income statement as incurred.

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

Share based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives service from employees as consideration for equity instruments (options) of the Group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

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

Intangible assets

Goodwill

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

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

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

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

Development expenditure

Expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility is capitalised and amortised over the expected useful life of the development. Expenditure that does not meet these criteria is expensed as incurred. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the year sales of the product are first made. Development costs capitalised are tested for impairment whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the consolidated statement of comprehensive income. Subsequent reversals of impairment losses for research and development are not recognised.

Computer software

Computer software is included in intangible assets at cost and amortised over its estimated life.

Other intangible assets

Other intangible assets that are acquired by the Group as part of business combinations are stated at cost less accumulated amortisation and impairment losses. The useful lives take account of the differing natures of each of the assets acquired. The lives used are:

- Brands and trademarks - 4 to 10 years
- Customer relationships - 7 to 10 years
- Order backlog - 3 months to 1 year

Amortisation is charged on a straight-line basis over the estimated useful lives of the assets.

Property, plant and equipment

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

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use including any qualifying finance expenses.

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

In general, the lives used are:

- Freehold – 40 years
- Short leasehold property – over the period of the lease
- Plant and machinery
 - Computer hardware and motor vehicles – 3 years
 - Presses – 15 years
 - Other plant and machinery – 5 – 10 years.

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

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

Leases

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

The sale and lease back of property, where the sale price is at fair value and substantially all the risks and rewards of ownership are transferred

to the purchaser, is treated as an operating lease. The profit or loss on the transaction is recognised immediately and lease payments charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments are shown as obligations under finance leases. Assets acquired under finance leases are initially recognised at the present value of the minimum lease payments. The rentals payable are apportioned between interest, which is charged to the consolidated statement of comprehensive income, and the liability, which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations.

Inventories

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost after deducting provisions for impairment of receivables.

Cash and cash equivalents

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognised at fair value and subsequently held at amortised cost.

Provisions

Provisions are recognised when:

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method.

Taxation

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividends

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

Share capital

Ordinary shares are classified as equity.

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

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

Critical accounting judgements

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

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

Retirement benefit obligations

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

The pension cost under IAS 19 (revised) is assessed in accordance with the advice of an independent qualified actuary based on the latest actuarial valuation and assumptions determined by the actuary.

The assumptions are based on information supplied to the actuary by the Group, supplemented by discussions between the actuary and management. The assumptions and sensitivities are disclosed in note 10 of the financial statements.

Inventory provisions

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

Impairment of intangible assets

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

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

Impairment charges are made if there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the assets based upon discounted cash flow projections using an appropriate risk weighted discount factor. Rates used were between 8% and 12%.

Valuation of acquired intangible assets

Acquisitions may result in the recognition of customer relationships, brands and trademarks, patents and order backlogs. These are valued using discounted cash flow models or a relief from royalty method. In applying these methodologies certain key judgements and assumptions are made over discount rates, growth rates and royalty rates.

Provisions

Provisions are made in respect of receivables, deferred income, claims, onerous contractual obligations and warranties based on the judgement of management taking into account the nature of the claim or contractual obligation, the range of possible outcomes and the defences open to the Group.

Taxation

Management periodically evaluates positions taken in tax returns where the applicable tax regulation is subject to interpretation. The Group establishes provisions on the basis of amounts expected to be paid to tax authorities only where it is considered more likely than not that an amount will be paid or received. The Group applies this test to each individual uncertain position. The Group measures the uncertain positions based on the single most likely outcome.

When determining whether to recognise deferred tax assets management considers the likely availability of future taxable profits in the relevant jurisdiction.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive team.

The Group has two clearly defined business segments, Protection & Defence and Dairy, and operates out of Europe and the US.

Business segments

Year ended 30 September 2015

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	98,843	35,475		134,318
Segment result before depreciation, amortisation, exceptional items, acquisition costs and defined benefit pension scheme credit	21,632	7,707	(2,072)	27,267
Depreciation of property, plant and equipment	(3,513)	(1,121)	(50)	(4,684)
Amortisation of development costs and software	(2,206)	(153)	(9)	(2,368)
Segment result before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme credit	15,913	6,433	(2,131)	20,215
Amortisation of acquired intangibles	(384)	(659)		(1,043)
Exceptional items and acquisition costs	(209)	(180)	(215)	(604)
Defined benefit pension scheme credit			318	318
Segment result	15,320	5,594	(2,028)	18,886
Finance income			45	45
Finance costs			(192)	(192)
Other finance expense			(901)	(901)
Profit before taxation	15,320	5,594	(3,076)	17,838
Taxation			(2,672)	(2,672)
Profit for the year from continuing operations	15,320	5,594	(5,748)	15,166
Discontinued operations - loss for the year			(1,500)	(1,500)
Profit for the year	15,320	5,594	(7,248)	13,666
Segment assets	59,487	42,645	6,444	108,576
Segment liabilities	8,378	10,336	47,658	66,372
Other segment items				
Capital expenditure				
- intangible assets	2,800	146	15	2,961
- property, plant and equipment	1,320	1,902	-	3,222

The Protection & Defence segment includes £54.6m (2014: £43.4m) of revenues from the US DOD, the only customer which individually contributes more than 10% to Group revenues.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 SEGMENT INFORMATION (CONTINUED)

Year ended 30 September 2014

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	92,818	31,961		124,779
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	18,542	6,600	(2,239)	22,903
Depreciation of property, plant and equipment	(3,289)	(771)	(67)	(4,127)
Amortisation of development costs and software	(1,670)	(94)	(9)	(1,773)
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	13,583	5,735	(2,315)	17,003
Amortisation of acquired intangibles	(261)			(261)
Exceptional items	(2,017)			(2,017)
Defined benefit pension scheme costs			(400)	(400)
Segment result	11,305	5,735	(2,715)	14,325
Finance income			1	1
Finance costs			(275)	(275)
Other finance expense			(187)	(187)
Profit before taxation	11,305	5,735	(3,176)	13,864
Taxation			(3,053)	(3,053)
Profit for the year	11,305	5,735	(6,229)	10,811
Segment assets	52,128	13,501	6,157	71,786
Segment liabilities	12,011	1,946	32,813	46,770
Other segment items				
Capital expenditure				
- intangible assets	2,725	337	-	3,062
- property, plant and equipment	1,898	1,825	8	3,731

Geographical segments by origin

Year ended 30 September 2015

	Europe £'000	US £'000	Group £'000
Revenue	23,704	110,614	134,318
Non-current assets	39,150	34,945	74,095

Year ended 30 September 2014

	Europe £'000	US £'000	Group £'000
Revenue	23,508	101,271	124,779
Non-current assets	5,346	31,469	36,815

2 EXPENSES BY NATURE

	2015 £'000	2014 £'000
Changes in inventories of finished goods and work in progress	1,384	3,343
Raw materials and consumables used	55,467	50,139
Employee benefit expense (note 9)	34,344	32,423
Depreciation and amortisation charges (notes 11 and 12)	8,095	6,161
Transportation expenses	1,712	1,457
Operating lease payments	1,989	1,809
Travelling costs	2,511	2,377
Legal and professional fees	1,474	2,573
Other expenses	8,456	10,172
Total cost of sales, selling and distribution costs and general and administrative expenses	115,432	110,454

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2015

3 ADJUSTMENTS AND DISCONTINUED OPERATIONS

	2015 £'000	2014 £'000
Amortisation of acquired intangible assets (note 11)	1,043	261
Relocation of Lawrenceville facility	-	2,017
Recruitment costs	215	-
Acquisition costs	389	-
Defined benefit pension scheme administration costs	350	400
Defined benefit pension scheme settlement gain	(668)	-
	1,329	2,678

The tax impact of the above is a nil reduction in overseas tax payable (2014: £450,000). The deferred tax impact in the current year gives rise to a credit to the income statement of £253,000 (2014: nil).

The Lawrenceville relocation costs relate to the consolidation of our Protection & Defence operations from four US sites into three which took place during 2014 ahead of the expiry of the lease on our Lawrenceville, Georgia facility in 2015.

The recruitment costs relate to the recruitment of main Board Directors.

The acquisition costs relate to legal and professional fees on the acquisition of Hudstar Systems Inc. and InterPuls S.p.A.

Defined benefit pension scheme costs relate to administrative expenses of the scheme which is closed to future accrual and the defined benefit pension scheme settlement gain arose following a trivial commutation exercise, both of which impact operating profit. £654,000 of other finance expense relating to the pension scheme is also treated as an adjustment.

The impact on the cash flow statement of the exceptional items was £1,192,000 (2014: £983,000).

	2015 £'000	2014 £'000
Loss from discontinued operations	1,500	-

The loss for the year from discontinued operations relates to dilapidations costs of former leased premises of a business which was disposed of in 2006. There was no tax impact of these costs.

The impact on the cash flow statement of the discontinued operations was £1,529,000 (2014: nil).

4 FINANCE INCOME AND COSTS

	2015 £'000	2014 £'000
Interest payable on bank loans and overdrafts	(192)	(275)
Finance income	45	1
	(147)	(274)
Other finance expense		
	2015 £'000	2014 £'000
Net interest cost: UK defined benefit pension scheme (note 10)	(654)	(12)
Provisions: Unwinding of discount (note 18)	(247)	(175)
	(901)	(187)

5 PROFIT BEFORE TAXATION

	2015 £'000	2014 £'000
Profit before taxation is shown after charging:		
Loss on foreign exchange	196	137
Loss on disposal of property, plant and equipment	7	209
Loss on disposal of intangibles	-	149
Depreciation on property, plant and equipment	4,684	4,127
Repairs and maintenance of property, plant and equipment	565	735
Amortisation of development costs and software	2,368	1,773
Amortisation of acquired intangibles	1,043	261
Research and development	648	775
Impairment of inventories	329	182
Impairment of trade receivables	35	-
Operating leases	1,989	1,809
Services provided to the Group (including its overseas subsidiaries) by the Company's auditors:		
Audit fees in respect of the audit of the accounts of the Parent Company and consolidation	30	30
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	98	80
Total fees	128	110

6 TAXATION

	2015 £'000	2014 £'000
Overseas current tax	4,049	4,605
Overseas adjustment in respect of previous periods	(1,337)	(961)
Total current tax	2,712	3,644
Deferred tax – current year	(259)	(185)
Deferred tax – adjustment in respect of previous periods	219	(406)
Total deferred tax	(40)	(591)
Total tax charge	2,672	3,053

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

	2015 £'000	2014 £'000
Profit before taxation	17,838	13,864
Profit before taxation at the average standard rate of 20.5% (2014: 22.0%)	3,657	3,050
Permanent differences	(822)	179
Losses for which no deferred taxation asset was recognised	(577)	397
Differences in overseas tax rates	1,532	794
Adjustment in respect of previous periods	(1,118)	(1,367)
Tax charge	2,672	3,053

The deferred tax credited directly to equity during the year was £3,996,000 (2014: nil).

6 TAXATION (CONTINUED)

Deferred tax liabilities

	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 October 2013	3,127	(150)	2,977
(Credited to)/charged against profit for the year	(1,003)	412	(591)
Exchange differences	(121)	50	(71)
At 30 September 2014	2,003	312	2,315
Arising on acquisition of subsidiaries	177	6,585	6,762
Charged against profit for the year	265	273	538
Exchange differences	30	89	119
At 30 September 2015	2,475	7,259	9,734

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

Deferred tax assets

	Retirement benefit obligation £'000	Share options £'000	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 30 September 2014	-	-	-	-	-
Credited to profit for the year	-	-	481	97	578
Credited to equity on recognition	3,321	675	-	-	3,996
At 30 September 2015	3,321	675	481	97	4,574

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly the average standard rate for the year is 20.5%.

A number of changes to the UK corporation tax system were announced in the March 2015 Budget Statement proposing to reduce the main rate of corporation tax to 19% by 1 April 2017, with a further reduction to 18% by 1 April 2020. These changes had not been substantively enacted at the balance sheet date and therefore any impacts arising are not included in these financial statements. The overall effect of the change is not expected to have any material impact on the Group's deferred tax liabilities as the Group's tax liabilities are held in the US. The impact on the Group's deferred tax asset is expected to be a reduction of £0.5m.

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

	2015 £'000	2014 £'000
Losses	(346)	(1,355)
Accelerated capital allowances	-	(733)
Retirement benefit obligations	-	(3,206)
Other	(732)	(1,529)
	(1,078)	(6,823)

7 DIVIDENDS

On 29 January 2015 the shareholders approved a final dividend of 3.74p per qualifying ordinary share in respect of the year ended 30 September 2014. This was paid on 20 March 2015 absorbing £1,127,000 of shareholders' funds.

On 29 April 2015, the Board of Directors declared an interim dividend of 2.43p (2014: 1.87p) per qualifying ordinary share in respect of the year ended 30 September 2015. This was paid on 4 September 2015 absorbing £732,000 (2014: £560,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 4.86p per qualifying ordinary share in respect of the year ended 30 September 2015, which will absorb an estimated £1,464,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 18 March 2016 to shareholders on the register at the close of business on 19 February 2016. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share ownership trust. The company has dilutive potential ordinary shares in respect of the Performance Share Plan (see page 74). Adjusted earnings per share removes the effect of the amortisation of acquired intangible assets, exceptional items, acquisition costs and defined benefit pension scheme costs.

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

	2015	2014
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	30,107	29,871
Potentially dilutive shares (weighted average) (thousands)	830	979
Fully diluted number of ordinary shares (weighted average) (thousands)	30,937	30,850

	2015 £'000	2015 Basic eps pence	2015 Diluted eps pence	2014 £'000	2014 Basic eps pence	2014 Diluted eps pence
Profit attributable to equity shareholders of the Company	13,666	45.4	44.2	10,811	36.2	35.0
Loss from discontinued operations	1,500	5.0	4.8	-	-	-
Profit from continuing operations	15,166	50.4	49.0	10,811	36.2	35.0
Adjustments	1,730	5.7	5.6	2,240	7.5	7.3
Profit excluding loss from discontinued operations, amortisation of acquired intangible assets, exceptional items, acquisition costs and defined benefit pension scheme costs	16,896	56.1	54.6	13,051	43.7	42.3

9 EMPLOYEES

The total remuneration and associated costs during the year were:

	2015 £'000	2014 £'000
Wages and salaries	27,776	26,944
Social security costs	3,052	2,263
Other pension costs	850	1,023
US healthcare costs	2,581	2,105
Share based payments (note 24)	85	88
	34,344	32,423

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid director, are given on pages 71 to 77.

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

	2015 Number	2014 Number
By business segment		
Protection & Defence	554	541
Dairy	222	200
Other	10	9
	786	750

At the end of the financial year the total number of employees in the Group was 852 (2014: 757).

Key management compensation

	2015 £'000	2014 £'000
Salaries and other employee benefits	2,508	2,436
Post employment benefits	121	120
Share based payments	53	54
	2,682	2,610

The key management compensation above includes the Directors plus three (2014: three) others who were members of the Group Executive during the year.

10 PENSIONS AND OTHER RETIREMENT BENEFITS

Retirement benefit assets and liabilities can be analysed as follows:

	2015 £'000	2014 £'000
Pension liability	16,605	16,029

Defined benefit pension scheme

Full disclosures are provided in respect of the UK defined benefit pension scheme below.

The Group operated 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 plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 16 years. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Four of the Directors are appointed by the Company and two are elected by the members.

Pension costs are assessed on the advice of an independent consulting actuary using the projected unit method. The funding of the plan is based on regular actuarial valuations. The most recent finalised actuarial valuation of the plan was carried out at 31 March 2013 when the market value of the plan's assets was £311.5m. The fair value of those assets represented 98.0% of the value of the benefits which had accrued to members, after allowing for future increase in pensions.

During the year the Group made payments to the fund of £800,000, (2014: £513,000) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit recovery plan agreed following the 31 March 2013 actuarial valuation, the Group will make deficit recovery payments in 2016 of £450,000 in addition to £250,000 towards scheme expenses.

The defined benefit plan exposes the Group to actuarial risks such as longevity risk, interest rate risk and investment risk.

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary at 30 September 2015 using the projected unit method.

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Movement in net defined benefit liability

	Defined benefit obligation		Defined benefit asset		Net defined benefit liability	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
At 1 October	(316,829)	(300,326)	300,800	289,047	(16,029)	(11,279)
Included in profit or loss						
Administrative expenses	(350)	(400)	-	-	(350)	(400)
Settlements	668	-	-	-	668	-
Net interest cost	(12,692)	(322)	12,038	310	(654)	(12)
	(12,374)	(722)	12,038	310	(336)	(412)
Included in other comprehensive income						
Remeasurement (loss)/gain:						
- Actuarial (loss)/gain arising from:						
- demographic assumptions	(480)	-	-	-	(480)	-
- financial assumptions	(4,945)	(23,277)	-	-	(4,945)	(23,277)
- experience adjustment	1,515	(7,586)	-	-	1,515	(7,586)
- Return on plan assets excluding interest income	-	-	2,870	26,012	2,870	26,012
	(3,910)	(30,863)	2,870	26,012	(1,040)	(4,851)
Other						
Contributions by the employer	-	-	800	513	800	513
Net benefits paid out	17,021	15,082	(17,021)	(15,082)	-	-
At 30 September	(316,092)	(316,829)	299,487	300,800	(16,605)	(16,029)

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Plan assets

	2015 £'000	2014 £'000
Equities	151,782	146,224
Liability Driven Investment	62,022	97,286
Corporate bonds	28,485	31,016
Cash	57,198	26,274
Total fair value of assets	299,487	300,800

The Liability Driven Investment (LDI) comprises a series of LIBOR-earning cash deposits which are combined with contracts to hedge interest rate and inflation rate risk over the expected life of the plan's liabilities.

All equity securities and corporate bonds have quoted prices in active markets.

The aim of the Trustee is to invest the assets of the plan to ensure that the benefits promised to members are provided. In setting the investment strategy the Trustee first considered the lowest risk allocation that could be adopted in relation to the plan's liabilities. An asset allocation strategy was then designed to achieve a higher return than this lowest risk strategy which at the same time still represented a prudent approach to meeting the plan's liabilities. The target weightings are 40% allocation to liability driven investment funds and cash and 60% to return-seeking investments.

Actuarial assumptions

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

	2015 % p.a.	2014 % p.a.
Inflation (RPI)	2.80	3.00
Inflation (CPI)	1.70	1.90
Pension increases post August 2005	2.10	2.00
Pension increases pre August 2005	2.70	2.80
Discount rate for scheme liabilities	3.90	4.10

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2015	2014
Male	22.2	22.1
Female	24.4	24.3

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

	2015	2014
Male	23.5	23.5
Female	25.9	25.8

Sensitivity analysis

	Defined benefit obligation
	Increase/(decrease) £'000
Inflation (RPI) (0.25% increase)	10,012
Discount rate for scheme liabilities (0.25% increase)	(12,884)
Future mortality (1 year increase)	11,380

The above sensitivity analysis shows the impact on the defined benefit obligation only, not the net pension liability as it does not take into account any impact on the asset valuation.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur.

Defined contribution pension scheme

In addition commencing 1 February 2003, a defined contribution scheme was introduced for employees within the UK. The cost to the Group in respect of this scheme for the year ended 30 September 2015 was £442,000 (2014: £415,000).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2015

11 INTANGIBLE ASSETS

	Goodwill £'000	Acquired intangibles £'000	Development expenditure £'000	Computer software £'000	Total £'000
At 1 October 2013					
Cost	63	1,090	22,450	2,848	26,451
Accumulated amortisation and impairment	-	(417)	(8,322)	(1,171)	(9,910)
Net book amount	63	673	14,128	1,677	16,541

Year ended 30 September 2014

Opening net book amount	63	673	14,128	1,677	16,541
Exchange differences	-	-	(168)	(12)	(180)
Additions	-	-	2,535	527	3,062
Disposals	-	-	(123)	(26)	(149)
Amortisation	-	(261)	(1,497)	(276)	(2,034)
Closing net book amount	63	412	14,875	1,890	17,240

At 30 September 2014

Cost	63	1,090	22,138	2,604	25,895
Accumulated amortisation and impairment	-	(678)	(7,263)	(714)	(8,655)
Net book amount	63	412	14,875	1,890	17,240

Year ended 30 September 2015

Opening net book amount	63	412	14,875	1,890	17,240
Exchange differences	109	1,165	684	211	2,169
Additions	-	-	2,567	394	2,961
Acquisitions (note 26)	2,201	20,149	-	-	22,350
Amortisation	-	(1,043)	(1,947)	(421)	(3,411)
Closing net book amount	2,373	20,683	16,179	2,074	41,309

At 30 September 2015

Cost	2,373	22,304	25,481	3,800	53,958
Accumulated amortisation and impairment	-	(1,621)	(9,302)	(1,726)	(12,649)
Net book amount	2,373	20,683	16,179	2,074	41,309

Development expenditure is amortised over a period between 5 and 15 years.

Computer software is amortised over a period between 3 and 7 years.

The remaining useful economic life of the development expenditure is between 5 and 12 years.

Acquired intangibles include customer relationships, development costs, order book on acquisition and brands and are amortised over a period between 3 and 10 years.

12 PROPERTY, PLANT AND EQUIPMENT

	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2013				
Cost	3,402	261	42,080	45,743
Accumulated depreciation and impairment	(367)	(180)	(24,809)	(25,356)
Net book amount	3,035	81	17,271	20,387

Year ended 30 September 2014

Opening net book amount	3,035	81	17,271	20,387
Exchange differences	(24)	(2)	(162)	(188)
Additions	-	-	3,731	3,731
Disposals	-	(52)	(176)	(228)
Depreciation charge	(191)	(27)	(3,909)	(4,127)
Closing net book amount	2,820	-	16,755	19,575

At 30 September 2014

Cost	3,179	-	42,469	45,648
Accumulated depreciation and impairment	(359)	-	(25,714)	(26,073)
Net book amount	2,820	-	16,755	19,575

Year ended 30 September 2015

Opening net book amount	2,820	-	16,755	19,575
Exchange differences	484	131	981	1,596
Additions	29	-	3,193	3,222
Acquisitions (note 26)	4,511	2,404	1,616	8,531
Disposals	-	-	(28)	(28)
Depreciation charge	(176)	(9)	(4,499)	(4,684)
Closing net book amount	7,668	2,526	18,018	28,212

At 30 September 2015

Cost	8,879	3,162	57,589	69,630
Accumulated depreciation and impairment	(1,211)	(636)	(39,571)	(41,418)
Net book amount	7,668	2,526	18,018	28,212

The net book amount of short leaseholds and £106,000 included within plant and machinery relates to assets held under finance leases.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2015

13 INVENTORIES

	2015 £'000	2014 £'000
Raw materials	9,581	8,876
Work in progress	712	2,151
Finished goods	6,830	1,860
	17,123	12,887

Provisions for inventory write downs were £2,412,000 (2014: £1,554,000).

The cost of inventories recognised as an expense and included in cost of sales amounted to £56,851,000 (2014: £53,482,000).

14 TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Trade receivables	14,904	15,544
Less: provision for impairment of receivables	(421)	(249)
Trade receivables – net	14,483	15,295
Prepayments	1,344	1,316
Other receivables	1,196	2,546
	17,023	19,157

In 2014, other receivables included £956,000 in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK, which was refunded during the year. The remaining balance comprises sundry receivables.

Movements on the Group provision for impairment of receivables are as follows:

	2015 £'000	2014 £'000
At 1 October	249	269
Provision for impairment of receivables	35	-
Acquisitions	137	-
Receivables written off during the year as uncollectable	-	(20)
At 30 September	421	249

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated statement of comprehensive income.

15 CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash at bank and in hand	332	2,925

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

16 TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade payables	1,505	440
Other taxation and social security	408	629
Other payables	1,093	152
Accruals	14,144	16,534
	17,150	17,755

Other payables comprise sundry items which are not individually significant for disclosure.

17 BORROWINGS

	2015 £'000	2014 £'000
Current		
Bank loans	1,864	-
Finance lease liabilities	486	-
	2,350	-
Non-current		
Bank loans	11,143	-
Total borrowings	13,493	-
The maturity profile of the Group's borrowings at the year end was as follows:		
In one year or less, or on demand	2,350	-
Between two and five years	11,143	-
	13,493	-

17 BORROWINGS (CONTINUED)

The Group has the following undrawn committed facilities:

	2015 £'000	2014 £'000
Expiring within one year	-	-
Expiring beyond one year	15,194	24,191
Total undrawn committed borrowing facilities	15,194	24,191
Bank loans and overdrafts utilised	13,007	-
Utilised in respect of guarantees	362	337
Total Group facilities	28,563	24,528

All facilities are at floating interest rates.

On 9 June 2014 the Group agreed new bank facilities with Barclays Bank and Comerica Bank. The combined facility comprises a revolving credit facility of \$40m and expires on 30 November 2018. This facility is priced on the dollar LIBOR plus margin of 1.25% and includes financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2015 and 2014.

InterPuls S.p.A. has a fixed term loan of €2.5m which expires on 31 December 2015. This facility is priced on EURIBOR plus margin of 0.9%.

The Group has provided the lenders with a negative pledge in respect of certain shares in Group companies.

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

	2015 Sterling %	2015 Dollar %	2015 Euro %	2014 Sterling %	2014 Dollar %	2014 Euro %
Bank loans	1.8	1.4	0.9	-	-	-
Finance lease liabilities	-	-	3.0	-	-	-

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Facility relocation £'000	Property obligations £'000	Total £'000
Balance at 1 October 2013	-	2,613	2,613
Charged in the year	1,637	1,632	3,269
Unwinding of discount	-	175	175
Payments in the year	(1,191)	(1,056)	(2,247)
Exchange difference	8	1	9
Balance at 30 September 2014	454	3,365	3,819
Charged in the year	-	1,500	1,500
Unwinding of discount	-	247	247
Payments in the year	(485)	(2,545)	(3,030)
Exchange difference	31	-	31
Balance at 30 September 2015	-	2,567	2,567

	2015 £'000	2014 £'000
Analysis of total provisions		
Non-current	1,712	1,973
Current	855	1,846
	2,567	3,819

Property obligations include an onerous lease provision of £1.8m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK. £0.3m of this provision is expected to be utilised in 2016, and the remaining £1.5m over the following fourteen years. Other property obligations relate to former premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next five years. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

Facility relocation related to the cost of consolidating our Protection & Defence operations from four US sites into three ahead of the expiry of the lease on the Lawrenceville, GA facility.

19 FINANCIAL INSTRUMENTS

Financial instruments by category

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as 'loans and receivables'. Borrowings and trade and other payables are classified as 'other financial liabilities at amortised cost'. Both categories are initially measured at fair value and subsequently held at amortised cost.

Derivatives (forward exchange contracts) are classified as 'derivatives used for hedging' and accounted for at fair value with gains and losses taken to reserves through the consolidated statement of comprehensive income.

Financial risk and treasury policies

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

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

(i) Credit risk

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

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

Counterparty risk arises from the use of derivative financial instruments. This is managed through credit limits, counterparty approvals and rigorous monitoring procedures.

Where possible, letters of credit or payments in advance are received for significant export sales.

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

Exposure to credit risk

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

Carrying amount	2015 £'000	2014 £'000
Trade receivables	14,483	15,295
Other receivables	1,196	2,546
Cash and cash equivalents	332	2,925
Forward exchange contracts used for hedging	3	2
	16,014	20,768

The maximum exposure to credit risk for financial assets at the reporting date by currency was:

Carrying amount of financial assets	2015 £'000	2014 £'000
Sterling	2,076	4,307
US dollar	11,372	14,967
Euro	1,879	928
Other currencies	687	566
	16,014	20,768

19 FINANCIAL INSTRUMENTS (CONTINUED)

Provisions against trade receivables

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

	Gross 2015 £'000	Provision 2015 £'000	Net 2015 £'000	Gross 2014 £'000	Provision 2014 £'000	Net 2014 £'000
Not past due	11,020	-	11,020	13,914	-	13,914
Past due 0-30 days	1,631	(85)	1,546	1,111	-	1,111
Past due 31-60 days	1,922	(87)	1,835	369	(131)	238
Past due 61-90 days	135	(82)	53	135	(103)	32
Past due more than 91 days	196	(167)	29	15	(15)	-
	14,904	(421)	14,483	15,544	(249)	15,295

The total past due receivables, net of provisions is £3,463,000 (2014: £1,381,000).

The individually impaired receivables mainly relate to a number of independent customers. A portion of these receivables is expected to be recovered.

(ii) Liquidity risk

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

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses and at the year end had facilities of £28.6m (2014: £24.5m).

The following shows the contractual maturities of financial liabilities, including interest payments, where applicable and excluding the impact of netting agreements and on an undiscounted basis:

Analysis of contractual cash flow maturities	Carrying amount £'000	Contractual cash flows £'000	Less than 12 months £'000	1 - 2 Years £'000	2 - 5 Years £'000	More than 5 Years £'000
30 September 2015						
Bank loans and overdrafts	13,007	13,026	1,872	338	10,816	-
Finance lease liabilities	486	486	486	-	-	-
Trade and other payables	16,742	16,742	16,742	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	3,923	3,923	-	-	-
- Inflow	(3)	-	-	-	-	-
	30,232	34,177	23,023	338	10,816	-

19 FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of contractual cash flow maturities

	Carrying Amount £'000	Contractual Cash flows £'000	Less than 12 months £'000	1 - 2 Years £'000	2 - 5 Years £'000	More than 5 Years £'000
30 September 2014						
Trade and other payables	17,126	17,126	17,126	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	922	922	-	-	-
- Inflow	(2)	-	-	-	-	-
	17,124	18,048	18,048	-	-	-

(iii) Market risks

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

(a) Currency risk

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

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value through the consolidated statement of comprehensive income. Fair value is assessed by reference to year-end spot exchange rates, adjusted for forward points associated with contracts of similar duration. The fair value of forward exchange contracts used as hedges at 30 September 2015 was a £3,000 asset (2014: £2,000 asset) comprising an asset of £3,000 (2014: £2,000) and a liability of nil (2014: nil).

All forward exchange contracts in place at 30 September 2015 mature within one year.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of five cents in the value of the US dollar against sterling would have had a £700,000 (2014: £415,000) impact on the Group's current year profit before interest and tax, a £609,000 (2014: £317,000) impact on the Group's profit after tax and a £1,300,000 (2014: £1,400,000) impact on shareholders' funds. The method of estimation, which has been applied consistently, involves assessing the translation impact of the US dollar.

A general change of five cents in the value of the euro against sterling would have had a £800,000 (2014: nil) impact on shareholders' funds. Due to the timing of the acquisition of InterPuls, the impact on profit would not have been material.

The following significant exchange rates applied during year:

	Average rate 2015	Closing rate 2015	Average rate 2014	Closing rate 2014
US dollar	1.542	1.517	1.654	1.631
Euro	1.351	1.359	1.221	1.281

(b) Interest rate risk

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

The Group is exposed to interest rate fluctuations with net debt of £13.2m (2014: £2.9m net cash) a 1% increase in interest rates would increase interest costs by £0.1m (2014: no impact on interest costs).

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

All cash deposits are on floating rates or overnight rates based on the relevant LIBOR or equivalent rate.

19 FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio, calculated as net debt divided by capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is measured by the current market capitalisation of the Group, plus net debt.

The Group's net (debt)/cash at the balance sheet date was:

	2015 £'000	2014 £'000
Total borrowings	(13,493)	-
Cash and cash equivalents	332	2,925
Group net (debt)/cash	(13,161)	2,925
Market capitalisation of the Group at 30 September	283,550	190,947
Gearing ratio	4.4%	N/A

At 30 September 2014 the Group had net cash, therefore calculation of the gearing ratio is not applicable.

(v) Fair values

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

	Carrying amount 2015 £'000	Fair value 2015 £'000	Carrying amount 2014 £'000	Fair value 2014 £'000
Trade receivables	14,483	14,483	15,295	15,295
Other receivables	1,196	1,196	2,546	2,546
Cash and cash equivalents	332	332	2,925	2,925
Forward exchange contracts	3	3	2	2
Secured loans	(13,493)	(13,493)	-	-
Trade and other payables	(16,742)	(16,742)	(17,126)	(17,126)
	(14,221)	(14,221)	3,642	3,642

Basis for determining fair value

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

Derivatives

The fair value of forward exchange contracts is determined by using valuation techniques using year-end spot rates, adjusted for the forward points to the contract's value date. No contract's value date is greater than one year from the year end. These instruments are included in level 2 in the fair value hierarchy as the valuation is based on inputs that are either directly or indirectly observable.

Secured loans

As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value.

Trade and other receivables/payables

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

20 SHARE CAPITAL

	2015 No. of shares	2015 Ordinary shares £'000	2015 Share premium £'000	2014 No. of shares	2014 Ordinary shares £'000	2014 Share premium £'000
Called up, allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	31,023,292	31,023	34,708	30,723,292	30,723	34,708
Issued during the year	-	-	-	300,000	300	-
At the end of the year	31,023,292	31,023	34,708	31,023,292	31,023	34,708

During 2014, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p.l.c. Employee Share Ownership Trust No. 1.

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on pages 58-77.

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

At 30 September 2015 887,315 (2014: 1,081,810) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan. Dividends on these shares have been waived. The market value of the shares held in the trust at 30 September 2015 was £8,110,000 (2014: £6,659,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During 2015 the trust acquired 162,095 (2014: nil) shares at a cost of £1,152,000 (2014: nil).

327,130 (2014: 460,301) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan.

29,460 ordinary shares of £1 each were awarded in relation to the 2014 annual incentive plan.

21 CASH GENERATED FROM OPERATIONS

	2015 £'000	2014 £'000
Continuing operations		
Profit for the year	15,166	10,811
Adjustments for:		
Taxation	2,672	3,053
Depreciation	4,684	4,127
Amortisation of intangible assets	3,411	2,034
Defined benefit pension scheme (credit)/cost	(318)	400
Finance income	(45)	(1)
Finance costs	192	275
Other finance expense	901	187
Loss on disposal of intangibles	-	149
Loss on disposal of property, plant and equipment	7	209
Movement in respect of employee share scheme	85	88
(Increase)/decrease in inventories	(1,264)	370
Decrease in receivables	4,225	1,479
(Decrease)/increase in payables and provisions	(6,855)	2,336
Cash generated from continuing operations	22,861	25,517
Analysed as:		
Cash generated from continuing operations prior to the effect of exceptional operating items	24,053	26,500
Cash effect of exceptional operating items	(1,192)	(983)
Discontinued operations		
Loss for the year	(1,500)	-
Decrease in payables and provisions	(29)	-
Cash used in discontinued operations	(1,529)	-
Cash generated from operations	21,332	25,517
Cash flows relating to the discontinued operations are as follows:		
Cash flows from operating activities	(1,529)	-
Cash used in discontinued operations	(1,529)	-

22 ANALYSIS OF NET (DEBT)/CASH

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

	At 1 Oct 2014 £'000	Cash flow £'000	Acquisitions £'000	Exchange movements £'000	At 30 Sept 2015 £'000
Cash at bank and in hand	2,925	(2,710)	20	97	332
Overdrafts	-	8	(8)	-	-
Net cash and cash equivalents	2,925	(2,702)	12	97	332
Debt due in less than 1 year	-	100	(2,324)	(126)	(2,350)
Debt due in more than 1 year	-	(10,705)	(277)	(161)	(11,143)
	2,925	(13,307)	(2,589)	(190)	(13,161)

23 OTHER FINANCIAL COMMITMENTS

	2015 £'000	2014 £'000
Capital expenditure committed	560	738

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

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

	2015 £'000	2014 £'000
Within one year	1,372	1,983
Between 1 and 5 years	5,900	4,024
Later than 5 years	15,419	5,755
	22,691	11,762

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

24 SHARE BASED PAYMENTS

The Group operates an equity-settled share-based performance share plan (PSP). Details of the Plan, awards granted and options outstanding are set out in the Remuneration Report on pages 74 and 75 and are incorporated by reference into these financial statements. The charge against profit of £85,000 (2014: £88,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2015	2014
Weighted average fair value (£)	0.48	0.38
Key assumptions used:		
Weighted average share price (£)	7.28	5.75
Volatility (%)	36	31
Risk-free interest rate (%)	0.8	0.9
Expected option term (yrs)	3.0	3.0
Dividend yield (%)	0.9	1.1

Volatility is estimated based on actual experience over the last three years.

25 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year (2014: nil). Key management compensation is disclosed in note 9.

26 ACQUISITIONS

Hudstar Systems Inc.

On 19 June 2015, Avon Protection Systems, Inc. acquired 100% of the share capital of Hudstar Systems Inc. (Hudstar), a leading US based designer and manufacturer of electronic control systems used in powered air respiratory systems, for consideration of \$5,576,000.

	Book value £'000	Accounting policy alignment £'000	Fair value adjustment £'000	Provisional Fair value £'000
Intangible assets	-	1,536	1,787	3,323
Property, plant and equipment	313	-	-	313
Inventories	454	-	-	454
Trade and other receivables	242	(186)	-	56
Cash and cash equivalents	20	-	-	20
Trade and other payables	(582)	-	-	(582)
Deferred tax liabilities	-	(538)	(625)	(1,163)
Net assets acquired	447	812	1,162	2,421
Goodwill				1,100
Total consideration				3,521

Satisfied by:

Cash at completion	3,205
Deferred/contingent consideration due in future years	316
	3,521

The goodwill is attributable to the acquired workforce and control over key technology providing barriers to entry to competitors.

The Directors have reviewed the goodwill for impairment and concluded that the carrying value is recoverable as the fair value less costs to sell exceeds the carrying amount of the net assets and goodwill recognised.

Intangible assets comprise development costs (£2.8m), customer relationships (£0.2m) and brands and patents (£0.3m).

The contingent consideration becomes payable over the next ten years, providing certain performance conditions are met, based on both qualitative and quantitative factors. The range of outcomes is expected to be between nil and \$500,000.

Hudstar has not had a material impact on the Group's results in 2015.

26 ACQUISITIONS (CONTINUED)

InterPuls S.p.A.

On 5 August 2015, Avon Rubber Italia S.r.l. acquired 100% of the share capital and shareholder loan notes of InterPuls S.p.A. (InterPuls), an Italian supplier of specialist milking components, for consideration of €25,750,000.

	Book value £'000	Accounting policy alignment £'000	Fair value adjustment £'000	Provisional Fair value £'000
Intangible assets	319	2,243	14,264	16,826
Property, plant and equipment	8,218	-	-	8,218
Inventories	1,569	-	-	1,569
Trade and other receivables	1,395	(70)	-	1,325
Trade and other payables	(2,541)	(321)	-	(2,862)
Bank loans and other borrowings	(2,609)	-	-	(2,609)
Deferred tax liabilities	(318)	(718)	(4,563)	(5,599)
Net assets acquired	6,033	1,134	9,701	16,868
Goodwill				1,101
Total consideration				17,969

Satisfied by:

Cash at completion	17,969
	17,969

The goodwill is attributable to sales synergies from integration of distributions channels, access to new markets and the workforce of the acquired businesses.

The Directors have reviewed the goodwill for impairment and concluded that the carrying value is recoverable as the fair value less costs to sell exceeds the carrying amount of the net assets and goodwill recognised.

Intangible assets comprise customer relationships (£12.1m), development costs (£2.2m), brand (£1.7m), order book (£0.4m) and software and other (£0.4m).

The results of the acquired entity have been included in the Group's consolidated statement of comprehensive income from 6 August 2015 and contributed revenue of £1.0m and profit of nil to the profit for the year.

Had InterPuls been consolidated from 1 October 2014, the consolidated statement of comprehensive income would show revenue of £144.8m and profit for the year of £12.9m.

27 GROUP UNDERTAKINGS

	Country in which incorporated
Held by Parent Company	
Avon Polymer Products Limited	UK
Avon Rubber Overseas Limited	UK
Avon Rubber Pension Trust Limited	UK
Avon Dairy Solutions (Shanghai) International Trading Company Limited	China
Avon Rubber Italia S.r.l.	Italy
Held by Group undertakings	
Avon Engineered Fabrications, Inc.	US
Avon Hi-Life, Inc.	US
Avon Protection Systems, Inc.	US
Avon Rubber & Plastics, Inc.	US
Avon Group Limited	UK
Avon Protection Systems UK Limited	UK
Avon International Safety Instruments, Inc.	US
Avon-Dairy America do sul Solucoes Para Ordentia LTDA	Brazil
Interpuls S.p.A.	Italy
Hudstar Systems Inc.	US

Shareholdings are ordinary shares and all undertakings are wholly owned by the Group and operate primarily in their country of incorporation.

All companies have a year ending in September, except Avon Dairy Solutions (Shanghai) and InterPuls S.p.A. which have a year ending in December. For the purpose of the Group accounts the results are consolidated to 30 September.

Avon Rubber Pension Trust Limited is a pension fund trustee.

Avon Rubber Overseas Limited, Avon Rubber Italia S.r.l. and Avon Rubber & Plastics, Inc. are investment holding companies.

Hudstar Systems Inc. designs and manufactures electronic control systems used in powered air respiratory systems.

InterPuls S.p.A. designs and manufactures specialist milking components for use in the dairy industry.

The activities of all of the other companies listed above are the manufacture and/or distribution of rubber and other polymer based products.

Avon Polymer Products Limited and Avon Rubber Overseas Limited are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006 ('the Act'). All remaining UK subsidiaries are exempt from the requirement to file audited accounts by virtue of section 480 of the Act.

28 POST BALANCE SHEET EVENT

On 8 October 2015 the Group acquired the trade and assets of the Argus thermal imaging camera business from e2v technologies plc for consideration of £3.5m.

Based in Chelmsford UK, Argus is a leading designer and manufacturer of thermal imaging cameras for the first responder and fire markets and will further strengthen the Group's product range in these markets.

Fair value information on the assets acquired is not yet available.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AVON RUBBER p.l.c.

Report on the Group financial statements

Our opinion

In our opinion, Avon Rubber p.l.c.'s Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 30 September 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated Balance Sheet as at 30 September 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Accounting Policies and Critical Accounting Judgements; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

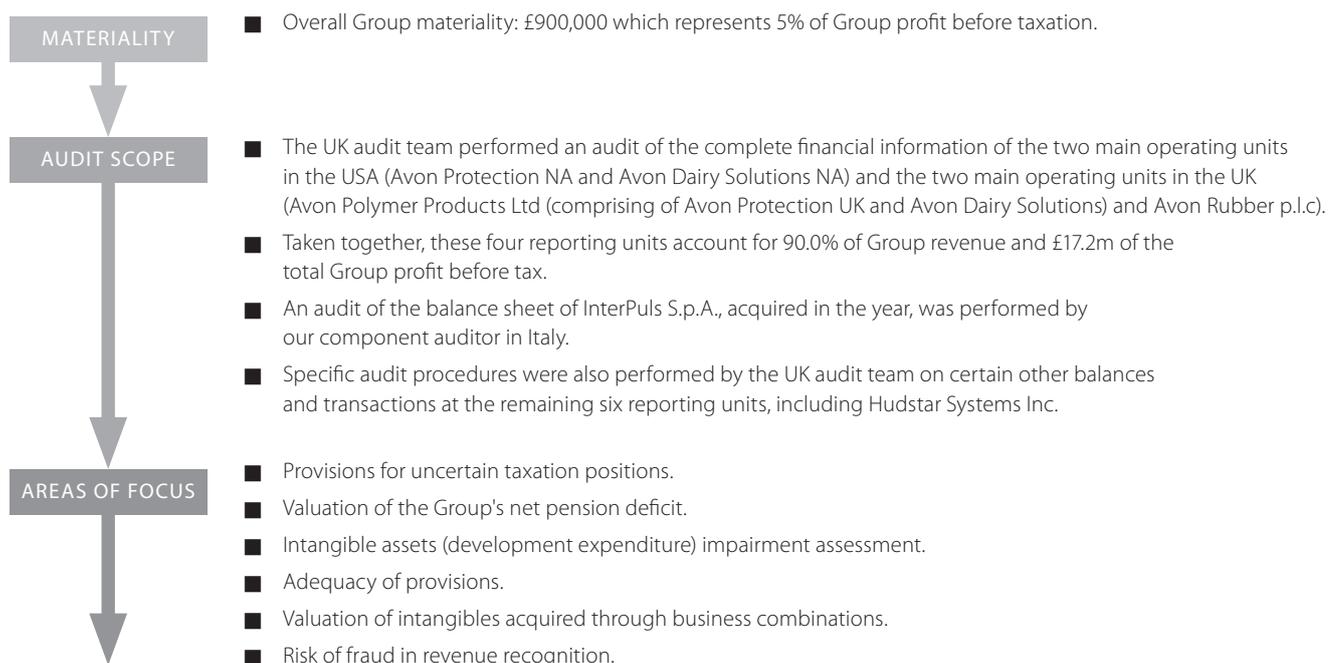
The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Context

The context for our audit was set by Avon Rubber p.l.c.'s major activities in 2015. The principal change which affected our audit was the completion by the Group of the acquisitions of InterPuls S.p.A in Italy and Hudstar Systems Inc. in the USA. As a result our Group audit involved the work of a new component auditor in Parma, Italy and we focussed on the acquisition accounting for these business combinations.

Overview



The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus

Provisions for uncertain tax positions and deferred tax

As noted in the critical accounting judgements section on page 86, and included within note 6, there are a number of significant judgements involved in the determination of taxation balances, particularly in relation to the recognition of deferred taxation assets in the UK which totalled £4.6m at 30 September 2015.

The Group also has a number of material uncertain taxation positions resulting from the interpretation of the impact of the application of tax regulations in certain jurisdictions. Management have applied judgement in estimating the likelihood of the future outcome in each case, with the provision based on the single most likely outcome.

Given the number of judgements involved and the complexities of dealing with taxation rules and regulations in different countries and states within the US, this was an area of focus for us.

Valuation of the Group's net pension deficit

We focussed on this area because of the magnitude of the defined benefit pension deficit of £16.6m and the material judgements involved in determining the actuarial assumptions which are set out in note 10.

The net pension deficit is subject to the directors' judgements regarding the selection of appropriate actuarial assumptions based on the nature of the scheme, including the discount rate, inflation rate and mortality rate, being the assumptions to which the deficit is most sensitive.

A change in each of these assumptions by 0.25% can cause a material change in the value of the underlying pension deficit (as highlighted on page 99).

The directors employed an independent actuary to assist them with the valuation of the deficit.

Intangible assets (development expenditure) impairment assessment

We focussed on this area because of the magnitude of capitalised development expenditure of £16.2m and the risk that amounts may not be recoverable if estimated future sales orders cannot be delivered or regulatory approvals are not obtained. This risk is set out in the critical accounting judgements on page 86 and the amounts capitalised are included in note 11.

In particular we focussed on the capitalised development costs relating to the PAPR and EEBD Protection & Defence products, given the amounts held in the balance sheet and the stage of their development. These products are described on page 15.

How our audit addressed the area of focus

We evaluated the directors' assessment of the availability of future taxable profits in the UK to determine whether a deferred taxation asset should be recognised, by considering the forecasts of future profits. We determined that the director's assessment was reasonable in identifying and recognising deferred taxation assets in relation to the retirement benefit obligation, share options, capital allowances and temporary timing differences.

We assessed the adequacy of the level of provision established in relation to a number of uncertain taxation positions primarily in respect of risks in the US. The judgements made by management took account of the level and nature of the risks giving rise to the uncertain tax positions, together with their assessment of the likely outcome. We considered the judgements made by management to be reasonable based on our understanding of the relevant tax regulations.

We also obtained the filing positions for each jurisdiction which we read, considered in light of our understanding of the business and reconciled to the underlying taxation calculations used to prepare the taxation balances in the financial statements, noting no material differences.

We used our actuarial experts to assess the methodology adopted by the directors and their actuary to determine the net pension deficit. We concluded that the requirements of IAS 19 'Employee benefits' had been applied.

We also used our actuarial experts to assess the reasonableness of the key actuarial assumptions selected, by comparing these to our own independent benchmark ranges based on our assessment of current market conditions and available actuarial data. We noted that the discount rate, inflation rate and mortality rate were within our acceptable range.

We considered the competence and objectivity of the directors' independent actuary including the experience and reputation of the firm together with the length of service. We were satisfied that the actuary was competent and objective.

We evaluated whether the directors' judgements and assumptions had been made on a consistent basis including in comparison to prior financial years.

We also assessed the actuary's valuation by obtaining supporting evidence for the each of the key inputs into the overall pension deficit calculation including independently agreeing changes in membership census data to pension scheme records and agreeing the scheme asset values to independent sources, such as fund manager confirmations and/or quoted market prices where available, noting no exceptions.

We tested a sample of capitalised development costs against the criteria set out in IAS38 'Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits and gain necessary regulatory approvals.

We met with key operational personnel to update our understanding of the status of major projects and assessed the process and governance which have been put in place around project approval, authorisation and ongoing monitoring. We considered that these processes were appropriate.

We assessed individually each of the major projects for indicators of impairment, such as an inability to obtain regulatory approval or not achieving forecast sales orders. In respect of PAPR, CE (European) approval was obtained during the year, whilst NIOSH approval was obtained for EEBD in the prior year. As a result of our work we determined that the judgement by management that no impairment was required for these and other major development projects was reasonable.

Area of focus

Adequacy of working capital and other provisions

The directors review year-end working capital balances, specifically inventory, trade receivables and accruals for product returns, in each of the operating units and apply judgement in making provisions to adjust the carrying value of those assets to the directors' view of their recoverable amount.

In addition, provisions are made for contractual obligations such as onerous lease arrangements and dilapidation provisions, where the directors believe that the likelihood of settlement is probable.

We focused on the above due to the degree of judgement the directors have to apply in determining the amount of provision required and taking into consideration the aggregation of provisions across the individual operating locations.

Valuation of intangibles acquired through business combinations

The Group acquired two new subsidiaries in the year; the larger of which was InterPuls S.p.A. with consideration of £18.0m, and Hudstar Systems Inc., with consideration of £3.5m as set out in note 26.

The acquisitions were accounted for as business combinations which required a number of judgements to be made by the directors in the determination of the fair value of the intangible assets as set out in the critical accounting estimates on page 86.

The intangible assets identified comprised customer relationships, development costs, brands and order book. The valuation of each of these assets was judgemental as valuation techniques were used to measure them.

The allocation also considered the fair values of property, plant and equipment, inventory, trade and other receivables, liabilities and taxation.

Risk of fraud in revenue recognition

We focused on this area as judgements are made by the directors in determining whether provisions should be made against revenue on certain contractual arrangements in the US Protection and Defence business.

The directors made an estimate of amounts which could be due back to customers reflecting the risks inherent within the performance of the contracts over a number of years.

How our audit addressed the area of focus

We evaluated whether provisions were made on a consistent basis and in line with the Group's accounting policies.

We obtained evidence over the recoverability of material trade receivables, including assessing the ageing analysis and the extent of cash collected post-year end, and assessed the directors' assumptions over the need to provide for potentially irrecoverable amounts.

We attended physical inventory counts at a variety of locations where material levels of inventory were held to assess the physical condition of inventory held. We performed testing of the net realisable value of inventory by comparing carrying amounts to sales values. We also considered the adequacy of inventory provisioning by reviewing the ageing of inventory held at 30 September 2015.

We also assessed the adequacy of property related provisions, by confirming the dilapidation obligations for each of the leasehold properties within the Group to the relevant lease documentation together with evaluating the directors' assessment of the dilapidation expenditure to be incurred. In addition we assessed the onerous lease obligations in relation to certain vacant properties in the UK by considering the lease cost over the onerous commitment period of the lease.

We concluded from our work that provisions had been determined on a consistent basis and that the judgements made by the directors were reasonable.

We evaluated whether the acquired companies met the definition of a business combination in line with IFRS 3 and concluded that they did as the entire share capital was acquired in each case.

We assessed the methodology adopted by the directors in calculating the fair value of each of the assets acquired. We used our valuations experts to assist us in making this assessment and concluded that the methods used were acceptable. The two most significant intangible assets were customer relationships and development costs.

In respect of customer relationships, we considered the directors' cash flow forecasts attributable to the customers of the acquired companies, together with the assumed life of the relationships and the discount rate applied.

In respect of development costs we evaluated the calculations prepared by the directors of the historical development expenditure incurred and expensed by the acquired companies that would have been capitalised had the Group's accounting policy of capitalisation been applied. We considered that the approach taken was reasonable.

We obtained evidence of the purchase consideration and recalculated the goodwill resulting from both of the business combinations.

We obtained the calculations of contractual revenue provisions and evaluated the directors' assessment of the risk of claw back based on our independent reading of the relevant contractual terms and the revenue recognised.

In doing so, we concluded that the Group recognised revenue in line with their contractual obligations and their revenue recognition accounting policy.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises two divisions, being Protection & Defence and Dairy and we focused our audit work on the Group's largest operating units, within these divisions, in the USA and UK. The UK audit team conducted an audit of the complete financial information of four operating units (the two largest in the USA, and two largest in the UK) due to their size and risk characteristics.

Taken together, these four operating units where we performed audit work accounted for approximately 90% of Group revenues and £17.2m of Group profit before taxation.

Specific audit procedures were also performed by the UK team on certain balances and transactions material to the Group financial statements at the remaining reporting units. The Parent Company's complete financial information was also subject to audit.

PwC Italy acted as component auditors for the audit of the balance sheet of InterPuls S.p.A., acquired in the year and located in Italy. We formally instructed the component auditors and determined the scope of the work performed by them including the materiality applied in their testing. We also considered the output of their audit work and held a clearance meeting with them to discuss the audit findings from the procedures that they performed.

The procedures set out above, together with additional procedures performed at the Group level over centralised processes and functions, including the audit of consolidation journals, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality £900,000 (2014: £815,000).

How we determined it 5% of Group profit before tax.

Rationale for benchmark applied

We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £45,000 (2014: £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern and longer term viability statements reporting

Under the Listing Rules we are required to review the directors' statement, set out on page 52, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> ■ information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. 	We have no exceptions to report.
<ul style="list-style-type: none"> ■ the statement given by the directors on page 47, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. 	We have no exceptions to report.
<ul style="list-style-type: none"> ■ the section of the Annual Report on page 52, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. 	We have no exceptions to report.

The directors' assessment of the prospects of the Group and the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

<ul style="list-style-type: none"> ■ the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> ■ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. 	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> ■ the directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	We have nothing material to add or to draw attention to.
<p>Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group, set out on page 52. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit.</p>	We have nothing to report having performed our review

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.



Colin Bates

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

17 November 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AVON RUBBER p.l.c.

Report on the Parent Company financial statements

Our opinion

In our opinion, Avon Rubber p.l.c.'s parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 30 September 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Parent Company Balance Sheet as at 30 September 2015;
- the Parent Company accounting policies; and
- the notes to the Parent Company financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2015.



Colin Bates

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 November 2015

PARENT COMPANY BALANCE SHEET

AT 30 SEPTEMBER 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed Assets					
Tangible assets	4		51		346
Investments	5		64,219		75,540
			64,270		75,886
Current assets - debtors					
	7	77,138		56,600	
Creditors - amounts falling due within one year					
	8	2,616		6,573	
Net current assets					
			74,522		50,027
Total assets less current liabilities					
			138,792		125,913
Creditors - amounts falling due after more than one year					
Bank loans and overdrafts	9	8,748		-	
Provisions for liabilities	10	1,722		2,211	
			10,470		2,211
Net assets					
			128,322		123,702
Capital and reserves					
Share capital	11		31,023		31,023
Share premium account	12		34,708		34,708
Capital redemption reserve	12		500		500
Profit and loss account	12		62,091		57,471
Total shareholders' funds					
	13		128,322		123,702

These financial statements on pages 127 to 136 were approved by the Board of Directors on 17 November 2015 and were signed on its behalf by:

D R Evans

David Evans

Andrew Lewis

Andrew Lewis

PARENT COMPANY ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Accounting policies

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

Basis of preparation

The accounts have been prepared on a going concern basis and in accordance with the Companies Act 2006 and with all applicable accounting standards in the United Kingdom (UK GAAP) on the going concern basis and under the historical cost convention except for financial assets and liabilities (including derivative instruments) held at fair value through profit and loss.

The Company does not publish its own cash flow statement, as its cash flows are included within the consolidated cash flow statement of the Group.

Foreign currencies

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Impairment of fixed assets

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed assets may not be recoverable. If the carrying amount exceeds its recoverable amount (being the higher of the value in use and the net realisable value) then the fixed asset is written down accordingly. Where recoverable amounts are based on value in use, discount rates of typically between 8% and 12% are used depending on the risk attached to the underlying asset.

Investments in subsidiary undertakings

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

Leased assets

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

Pensions

The Company operated 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 closed to new entrants and was closed to future accrual of benefits from 1 October 2009. Scheme assets are measured using market values while liabilities are measured using the projected unit method. The multi-employer exemption has been taken as the Company is unable to identify its share of the underlying assets and liabilities and no asset or provision has been reflected in the parent company's balance sheet for any surplus or deficit arising in respect of pension obligations.

The Company also provides pensions by contributing to defined contribution schemes. The charge in the profit and loss account reflects the contributions paid and payable to these schemes during the period. Full disclosures of the UK pension schemes have been provided in the Group financial statements.

Provisions for liabilities

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

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

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

Tangible fixed assets

Tangible fixed assets are stated at cost, less amounts provided for depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Plant and machinery is depreciated using the straight line method at lives varying between 5 to 10 years.

Related parties

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

Share based payment

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

Debtors

Debtors are initially recognised at fair value and subsequently measured at amortised cost after deduction of provisions for impairment of receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as amounts falling due after more than one year. They are initially recognised at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Costs are expensed using the effective interest method.

Financial instruments

As permitted by FRS 29, 'Financial Instruments: Disclosures' the Company has elected not to present the disclosures required by FRS 29 in the notes to its individual financial statements as full equivalent disclosures are presented in the consolidated financial statements.

Dividends

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

Share Capital

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

Where the Company purchases its own share capital (treasury shares) through Employee Share Ownership Trusts, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' funds.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 PARENT COMPANY

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent company is omitted from the accounts by virtue of section 408 of the Companies Act 2006. The parent company's profit for the financial year was £6,690,000 (2014: £6,637,000).

The audit fee in respect of the parent company was £30,000 (2014: £30,000).

2 DIVIDENDS

On 29 January 2015, the shareholders approved a final dividend of 3.74p per qualifying ordinary share in respect of the year ended 30 September 2014. This was paid on 20 March 2015 absorbing £1,127,000 of shareholders' funds.

On 29 April 2015, the Board of Directors declared an interim dividend of 2.43p (2014: 1.87p) per qualifying ordinary share in respect of the year ended 30 September 2015. This was paid on 4 September 2015 absorbing £732,000 (2014: £560,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 4.86p per qualifying ordinary share in respect of the year ended 30 September 2015, which will absorb an estimated £1,464,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 18 March 2016 to shareholders on the register at the close of business on 19 February 2016. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

3 EMPLOYEES

The total remuneration and associated costs during the year were:

	2015 £'000	2014 £'000
Wages and salaries	2,408	2,441
Social security costs	279	300
Other pension costs	388	145
Share based payments	85	88
	3,160	2,974

Detailed disclosures of Directors' remuneration and share options are given on pages 71 to 77 of the Annual Report and Accounts.

The average monthly number of employees (including Executive Directors) during the year was 7 (2014: 7), all of whom were classified as administrative staff.

4 TANGIBLE ASSETS

	Plant and machinery £'000
Cost	
At 1 October 2014	672
Additions at cost	123
Disposals	(7)
Transfers to other Group companies	(377)
At 30 September 2015	411
Accumulated depreciation	
At 1 October 2014	326
Charge for the year	34
At 30 September 2015	360
Net book amount at 30 September 2015	51
Net book amount at 30 September 2014	346

5 INVESTMENTS

	Investment in subsidiaries £'000
Cost and net book value	
At 1 October 2014	75,540
Investment in Avon Rubber Italia srl	7
Reduction in investment in Avon Rubber Overseas Limited	(11,345)
Investment in Avon-Dairy America do sul Solucoes Para Ordentia LTDA	17
At 30 September 2015	64,219

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The investments consist of a 100% (unless indicated as otherwise) interest in the following subsidiaries:

	Principal activity	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of rubber and polymer based products	UK
Avon Rubber Overseas Limited	Investment company	UK
Avon Rubber Pension Trust Limited	Pension Fund Trustee	UK
Avon Dairy Solutions (Shanghai) International Trading Company Limited	Trading company	China
Avon Rubber Italia srl	Investment company	Italy
Avon-Dairy America do sul Solucoes Para Ordentia LTDA (1%)	Trading company	Brazil

Details of investments held by these subsidiaries are given in note 27 to the Group accounts on page 117.

6 OTHER FINANCIAL COMMITMENTS

	2015 £'000	2014 £'000
Capital expenditure committed	-	-

Capital expenditure committed represents the amount contracted at the end of the financial year for which no provision has been made in the financial statements.

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

	2015 Land and buildings £'000	2014 Land and buildings £'000
For leases expiring		
Within 1 year	-	-
In 2-5 years	-	814
Over 5 years	967	153
	967	967

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

7 DEBTORS

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	75,402	54,317
Trade debtors	37	-
Other debtors	577	1,948
Prepayments	316	335
Deferred tax asset	806	-
	77,138	56,600

In 2014, other debtors included £956,000 in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK, which has since been repaid. The remaining balance comprises sundry receivables.

8 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Bank overdrafts	-	38
Amounts due to Group undertakings	-	4,040
Other creditors	40	43
Accruals	2,576	2,452
	2,616	6,573

9 BANK LOANS AND OVERDRAFTS

	2015 £'000	2014 £'000
Current		
Bank overdrafts	-	38
Non-current		
Bank loans	8,748	-
Total bank loans and overdrafts	8,748	38

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

	2015 £'000	2014 £'000
In one year or less or on demand	-	38
Between two and five years	8,748	-
	8,748	38

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

	2015 £'000	2014 £'000
Sterling	2,155	38
US dollars	6,593	-
	8,748	38

On 9 June 2014 the Company agreed new bank facilities with Barclays Bank and Comerica Bank. The combined facility comprises a revolving credit facility of \$40m and expires on 30 November 2018. This facility is priced on the dollar LIBOR plus a margin of 1.25% and includes financial covenants which are measured on a quarterly basis. The Company was in compliance with its financial covenants during 2015 and 2014.

The Company has provided the lenders with a negative pledge in respect of certain shares in Group companies.

10 PROVISIONS FOR LIABILITIES

	Property obligations £'000
Balance at 1 October 2013	2,613
Charged in the year	408
Unwinding of discount	175
Payments in the year	(985)
Balance at 30 September 2014	2,211
Charged in the year	1,500
Unwinding of discount	247
Payments in the year	(2,236)
Balance at 30 September 2015	1,722

	2015 £'000	2014 £'000
Analysis of provisions		
Non-current	867	1,129
Current	855	1,082
	1,722	2,211

Property obligations relate to an onerous lease provision in respect of unutilised space at the Company's leased Hampton Park West facility in the UK and former premises of the Company which are subject to dilapidation risks. All are expected to be utilised within the next fifteen years. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

11 CALLED UP SHARE CAPITAL

	2015 £'000	2014 £'000
Called up, allotted and fully paid ordinary shares of £1 each		
31,023,292 (2014: 31,023,292) ordinary shares of £1 each	31,023	31,023

During 2014, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p.l.c. Employee Share Ownership Trust No. 1.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2015

12 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2013	34,708	500	52,468	87,676
Retained profit for the year	-	-	5,215	5,215
Purchase of shares by the employee benefit trust	-	-	(300)	(300)
Movement in respect of employee share scheme	-	-	88	88
At 30 September 2014	34,708	500	57,471	92,679
Retained profit for the year	-	-	4,831	4,831
Deferred tax recognised in respect of employee share schemes	-	-	675	675
Movement in shares held by the employee benefit trust	-	-	(971)	(971)
Movement in respect of employee share scheme	-	-	85	85
At 30 September 2015	34,708	500	62,091	97,299

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £'000	2014 £'000
At the beginning of the year	123,702	118,399
Profit for the financial year attributable to equity shareholders	6,690	6,637
Deferred tax recognised in respect of employee share schemes	675	-
Dividends paid	(1,859)	(1,422)
Movement in shares held by the employee benefit trust	(971)	-
Movement in respect of employee share scheme	85	88
At 30 September	128,322	123,702

During 2014, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p.l.c. Employee Share Ownership Trust No. 1.

At 30 September 2015 887,315 (2014: 1,081,810) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan. Dividends on these shares have been waived. The market value of the shares held in the trust at 30 September 2015 was £8,110,000 (2014: £6,659,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During 2015 the trust acquired 162,095 (2014: nil) shares at a cost of £1,152,000 (2014: nil).

327,130 (2014: 460,301) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan.

29,460 ordinary shares of £1 each were awarded in relation to the 2014 annual incentive plan.

14 SHARE BASED PAYMENTS

The Company operates an equity-settled share-based performance share plan (PSP). Details of the Plan, awards granted and options outstanding are set out in the remuneration report on pages 74 and 75 and are incorporated by reference into these financial statements. The charge against profit of £85,000 (2014: £88,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2015	2014
Weighted average fair value (£)	0.48	0.38
Key assumptions used:		
Weighted average share price (£)	7.28	5.75
Volatility (%)	36	31
Risk-free interest rate (%)	0.8	0.9
Expected option term (yrs)	3.0	3.0
Dividend yield (%)	0.9	1.1

Volatility is estimated based on actual experience over the last three years.

FIVE YEAR RECORD

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	134,318	124,779	124,851	106,636	107,600
Operating profit before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension costs	20,215	17,003	14,223	11,621	11,136
Amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme costs	(1,329)	(2,678)	(1,220)	-	-
Operating profit	18,886	14,325	13,003	11,621	11,136
Net finance costs and other finance expense	(1,048)	(461)	(600)	(616)	(924)
Profit before taxation	17,838	13,864	12,403	11,005	10,212
Taxation	(2,672)	(3,053)	(3,566)	(3,176)	(3,094)
Profit for the year from continuing operations	15,166	10,811	8,837	7,829	7,118
Discontinued operations - loss for the year	(1,500)	-	-	-	-
Profit attributable to equity shareholders	13,666	10,811	8,837	7,829	7,118
Ordinary dividends	(1,859)	(1,422)	(1,132)	(941)	(706)
Retained profit	11,807	9,389	7,705	6,888	6,412
Intangible assets and property, plant and equipment	69,521	36,815	36,928	31,159	27,187
Working capital	10,176	7,439	11,512	9,278	11,714
Provisions	(2,567)	(3,819)	(2,613)	(2,993)	(3,208)
Pension (liability)/asset	(16,605)	(16,029)	(11,279)	(2,238)	280
Net deferred tax liability	(5,160)	(2,315)	(2,977)	(2,584)	(2,985)
Net (borrowings)/cash	(13,161)	2,925	(10,875)	(8,725)	(11,816)
Net assets employed	42,204	25,016	20,696	23,897	21,172
Financed by:					
Ordinary share capital	31,023	31,023	30,723	30,723	30,723
Reserves attributable to equity shareholders	11,181	(6,007)	(10,027)	(6,826)	(9,551)
Total equity	42,204	25,016	20,696	23,897	21,172
Basic earnings per share	45.4p	36.2p	30.0p	26.9p	25.2p
Adjusted basic earnings per share	56.1p	43.7p	33.8p	26.9p	25.2p
Dividends per share paid in cash	6.17p	4.75p	3.84p	3.2p	2.5p

2011 and 2012 are as presented in the consolidated financial statements for those years.

NOTICE OF ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 30 SEPTEMBER 2015

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Avon Rubber p.l.c., please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of Annual General Meeting for the year ended 30 September 2015

Notice is hereby given that the annual general meeting ('AGM') of shareholders of Avon Rubber p.l.c. (the 'Company') will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 26 January 2016 at 10.30 a.m. for the following purposes:-

Ordinary Business

To consider and, if thought fit, pass resolutions 1- 8 (inclusive) as Ordinary Resolutions:

Resolution 1

To receive the Company's accounts and the reports of the Directors and the Auditors for the year ended 30 September 2015.

Resolution 2

To approve the Remuneration Policy set out in the Directors' Remuneration Report for the year ended 30 September 2015.

Resolution 3

To approve the Directors' Remuneration Report (other than the part containing the Remuneration Policy referred to in Resolution 2 above) for the year ended 30 September 2015.

Resolution 4

To declare a final dividend of 4.86p per ordinary share as recommended by the Directors.

Resolution 5

To re-appoint David Evans as Director who retires by rotation.

Resolution 6

To re-appoint Pim Vervaat as Director who has been appointed since the last AGM.

Resolution 7

To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 8

To authorise the Directors to determine the auditors' remuneration.

Special Business

To consider and if thought fit, pass resolutions 9-12 (inclusive) as Ordinary Resolutions and resolutions 13-15 (inclusive), as Special Resolutions:

Resolution 9

That the proposed amendments to the Avon Rubber p.l.c. 2010 Performance Share Plan be and are hereby approved and the Directors be authorised to do all acts and things necessary or appropriate to give effect to the proposed amendments.

Resolution 10

That the Avon Rubber p.l.c. 2015 Share Option Plan (the 'Plan'), the principal features of which are summarised in Appendix 1 to this Notice, to be constituted in the form of the rules produced in draft to the meeting and signed by the Chairman for the purposes of identification, be and the same is hereby approved, and the Directors be and they are hereby authorised:

- (a) to do all acts and things as may be necessary to carry the same into effect, including the making of any amendments to the rules of the Plan as may be necessary or appropriate to (a) take account of the UK Listing Authority and best practice or (b) ensure compliance of the Plan with the provisions of Schedule 4, Income Tax (Earnings and Pensions) Act 2003; and
- (b) at their discretion to adopt equivalent plans for employees of the Company and its subsidiaries located in overseas jurisdictions subject to such modifications to take into account, local tax, exchange control, securities laws or other regulatory issues as they consider appropriate.

Resolution 11

That the Avon Rubber p.l.c. 2015 US Stock Option Plan (the 'US Stock Option Plan'), the principal terms of which are summarised in Appendix 2 to this Notice, to be constituted in the form of the rules produced in draft to the meeting and signed by the Chairman for the purposes of identification, be and the same are hereby approved, and the Directors be and they are hereby authorised to do all acts and things as may be necessary to carry the same into effect, including the making of any amendments to the rules of the US Stock Option Plan as may be necessary or appropriate to (a) obtain approval to the US Stock Option Plan or to ensure compliance with Section 422 of the US Internal Revenue Code 1986, as amended or (b) meet any relevant local securities law, tax and exchange control requirements.

Resolution 12

That in accordance with section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,341,097 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in

relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Resolution 13

That, subject to the passing of Resolution 12, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 12 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

- (a) be limited to the allotment of equity securities up to an aggregate nominal amount of £1,551,164; and
- (b) expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 14

That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act to make market purchases (within the meaning of 693(4) 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 4,653,492;
- (b) the minimum price which may be paid for each share is 1p;
- (c) the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to the higher of:
 - (i) 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the Official List of the London Stock Exchange for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and
 - (ii) the value of an ordinary share calculated on the basis of the

higher of the price quoted for the last independent trade of and the highest current independent bid for any number of the Company's ordinary shares on the London Stock Exchange Official List at the time the purchase is agreed; and

- (d) this authority shall expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company (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.

Resolution 15

That a general meeting of the Company (other than an annual general meeting), may be called on not less than 14 clear days' notice.

By order of the Board

Miles Ingrey-Counter

Miles Ingrey-Counter

Company Secretary

17 November 2015



Notes

- (1) Information regarding the annual general meeting (the 'AGM') including the information required by section 311A of the Act, is available at www.avon-rubber.com.
- (2) A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the AGM. Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person.
- (3) A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notari ally) must be returned by one of the following methods:
 - (i) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
 - (ii) via www.capitashareportal.com; or
 - (iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

and in each case must be received by the Company not less than 48 hours before the time of the AGM.

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

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. Regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy the message must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not

make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- (4) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Act ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- (5) In order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 pm on 22 January 2016 (or 6.00 pm on the date two days before any adjourned meeting, ignoring non-working days). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
- (6) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- (7) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (8) Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the AGM unless:
 - (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information;
 - (ii) the answer has already been given on a website in the form of an answer to a question; or
 - (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

(9) Appointment of proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

(10) Termination of proxy appointments

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by the Company's registrars, Capita Asset Services Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 22 January 2016 at 10.30 am.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

(11) Biographical details of the Directors are shown on page 43 of the Annual Report.

(12) The issued share capital of the Company as at 17 November 2015 was 31,023,292 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

(13) The following documents are available for inspection at the registered office of the Company and, where required, the office of TLT LLP at 20 Gresham Street, London, EC2V 7JE during normal business hours on any weekday until the close of the AGM and will be available at the place of the AGM from 15 minutes before the AGM until it ends:

- (i) the Register of Directors' interests showing any transactions of Directors and their family interests in the share capital of the Company; and
- (ii) copies of all contracts of service under which the executive Directors of the Company are employed by the Company or any of its subsidiaries;
- (iii) copies of the letters of appointment of the non-executive Directors of the Company;
- (iv) the full text of the rules of the Avon Rubber p.l.c. 2010 Performance Share Plan as amended; and

- (v) the full text of the Avon Rubber p.l.c. 2015 Share Option Plan and the Avon Rubber p.l.c. 2015 US Stock Option Plan.

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

(15) Pursuant to Chapter 5 of Part 16 of the Act (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM. Where the Company is required to publish such a statement on its website:

- (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- (iii) the statement may be dealt with as part of the business of the AGM.

The request:

- (i) may be in hard copy form or in electronic form (see below);
- (ii) either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported;
- (iii) must be authenticated by the person or persons making it (see below); and
- (iv) must be received by the Company at least one week before the AGM.

In order to be able to exercise the members' right to require the Company to publish audit concerns the relevant request must be made by:

- (i) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or
- (ii) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital each and may be made by:
 - a hard copy request which is signed by the member or members concerned, stating their full names and addresses and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.
 - a request which is signed by the member or members concerned, stating their full names and addresses and is sent by fax to 01225 896898 marked for the attention of the Company Secretary.
 - a request which states the full names and addresses of the member or members concerned, sent by email to miles.ingrey-counter@avon-rubber.com.

(16) Pursuant to sections 338 and 338A of the Act, a members or members meeting the qualification criteria set out below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the AGM or require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business.

The conditions are that:

- (i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise).
- (ii) The resolution or the matter of business must not be defamatory of any person, frivolous or vexatious.

The Company is required to give notice of a resolution or the matter of business once it has received requests that it do so from:

- (i) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or
- (ii) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital each and may be made by:
 - a hard copy request which is signed by the member or members concerned, stating their full names and addresses and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.
 - a request which is signed by the member or members concerned, stating their full names and addresses and is sent by fax to 01225 896898 marked for the attention of the Company Secretary.
 - a request which states the full names and addresses of the member or members concerned, sent by email to miles.ingrey-counter@avon-rubber.com.

The request:

- (i) for a resolution, must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported;
- (ii) for a matter of business, must identify the matter of business by either setting out the matter for business in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; and
- (iii) must be received by the Company not later than 6 weeks before the date of the AGM.

Explanatory notes

The Board believes that the adoption of resolutions 1 to 15 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that all shareholders should vote in favour of all the resolutions to be proposed at the AGM. Each of the Directors of the Company intends to vote in favour of all resolutions in respect of their own beneficial holdings.

Resolution 1 – Report and Accounts

The Directors are required by law to present to the AGM the accounts, and the reports of the Directors and Auditors, for the year ended 30 September 2015. These are contained in the Company's 2015 Annual Report.

Resolution 2&3 - Directors' Remuneration Report

Resolution 2, in accordance with the Companies Act 2006, requests approval of the Company's forward looking revised Remuneration Policy. The proposed revised policy is set out on pages 56 to 77 of the Annual Report. The Company is required to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case the Company will propose a similar resolution at least every three years. The Company's previous Remuneration Policy was approved by shareholders at the 2014 AGM. Subject to shareholder approval, the revised Directors' Remuneration Policy Report will take effect from 26 January 2016 (the date of the AGM).

Resolution 3 seeks approval for the Directors Remuneration Report for the year ended 30 September 2015. This is contained on pages 56 to 77 of the Annual Report. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

Resolution 4 – Declaration of a dividend

A final dividend can only be paid after the shareholders have approved it at a general meeting. If the meeting approves this Resolution, a final dividend in respect of the financial year ended 30 September 2015 of 4.86p will be paid.

Resolutions 5&6 – Election and re-election of Directors

David Evans retires by rotation and, being eligible, offers himself for re-election.

Pim Vervaat was appointed as a Director with effect from 1 March 2015 and in accordance with the Company's Articles, retires at this year's AGM and Resolution 6 proposes his re-appointment.

Resolution 7&8 – Re-appointment and remuneration of Auditors

Resolutions 7&8 propose the re-appointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the Directors to set their remuneration.

Resolution 9 – Approval of amendments to the Avon Rubber p.l.c. 2010 Performance Share Plan

Resolution 9 proposes certain amendments to the Performance Share Plan.

As noted in the Company's revised Remuneration Policy, it is proposed that the 'normal' award level under the Plan Rules should remain capped at 100% of annual salary per year but that the overall cap should be increased to 200% of salary so that 'special' awards may be made in excess of the normal level in exceptional circumstances. Awards above normal levels will only be made if an appropriate business challenge warrants such treatment (e.g. a major acquisition or strategic initiative) and will be subject to stretching performance conditions and made within existing dilution limits. These are likely to be a more challenging version of the existing TSR/EPS conditions, but the Committee may decide to use a different financial performance condition if appropriate in the circumstances. An additional 2 year holding period will be introduced following the 3 year performance period for any special awards made in excess of 100% of salary. The current shareholding guidelines will remain in place for awards of up to 100% of salary.

It is also proposed that an amendment be made to the provisions in the Performance Share Plan dealing with departing executives, by introducing a 'clean break' option. The Committee already has discretion to allow 'good

leaver' status on a case by case basis (where it deems it appropriate and in the best interests of the Company) but for added flexibility, it is proposed that the rules of the Performance Share Plan are amended to allow early vesting to be triggered at the point of leaving by reference to performance at that date, rather than vesting being determined as at the end of the performance period. This, in turn, will introduce flexibility around the Committee's strategy for managing an exit, for example to offset cash compensation by allowing earlier vesting.

Resolution 10 – Approval of the Avon Rubber p.l.c. Company Share Option Plan

Resolution 10 proposes that a new share option plan, the Avon Rubber p.l.c. 2015 Share Option Plan (the 'UK Share Option Plan'), be introduced. The UK Share Option Plan is intended to benefit junior management within the Company. Directors and senior management of the Company will not be eligible to participate.

The basis of the UK Share Option Plan, the principal features of which are summarised in Appendix 1, takes the form of a tax approved plan with a non-approved schedule. This allows each participant to receive an option on a tax approved basis over shares in the Company worth up to a market value of £30,000 (with the balance of any award being made under the non-approved schedule). The Share Option Plan reflects current best practice by allowing for the phased annual granting of options subject, in normal circumstances, to an annual individual participation limit of one times salary in respect of all options and other equity based awards (other than deferred bonus) granted to a participant in that year.

Resolution 11 – Approval of the Avon Rubber p.l.c. 2015 US Stock Option Plan

Resolution 11 proposes that the Company adopt the Avon Rubber p.l.c. 2015 US Stock Option Plan (the 'US Stock Option Plan') under which Incentive Stock Options ('US ISO') and Non Qualified Options ('US NSO') can be granted, as a Schedule to Part B of the UK Share Option Plan. The US Stock Option Plan allows the Company to extend the participation in the UK Share Option Plan to US employees within the Company's group. The US ISO allows the Company to grant tax efficient options to employees on a basis approved by the US Internal Revenue Service. The basis of the US Stock Option Plan, the principal features of which are summarised in Appendix 2, is to provide options to US junior management employees, taking into account differences between UK and US standard market practice, on similar terms to those under the UK Share Option Plan.

Resolution 12 – Directors' authority to allot

This Resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Act. The authority granted at the last annual general meeting is due to expire at the conclusion of this year's AGM and accordingly it is proposed to renew this authority. This Resolution will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,341,097, which is equal to approximately one-third of the issued share capital of the Company as at 17 November 2015.

The Directors have no present intention of exercising this authority except in connection with the Company's employee share schemes.

The authority granted by this resolution will expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company.

In this resolution, Relevant Securities means:

- (i) shares in the Company other than shares allotted pursuant to:
 - an employee share scheme (as defined by section 1166 of the Act);
 - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
 - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and
- (ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights

Resolution 13 – Disapplication of pre-emption rights

This Resolution will, if passed give the Directors power, pursuant to the authority to allot granted by Resolution 12, to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 17 November 2015 and renews the authority given at the AGM in 2015.

In compliance with the guidelines issued by the Pre-Emption Group, the Directors, will ensure that, other than in relation to a rights issue, no more than 7.5% of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance.

The power granted by this Resolution will expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company.

Resolution 14 – Authority to purchase own shares

This Resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 4,653,492 ordinary shares of £1 each, representing just under 15% of the Company's issued ordinary share capital as at 17 November 2015.

The Resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the date 15 months after the date of this Resolution and the company's next AGM.

As of 17 November 2015 there were options to subscribe outstanding over 754,478 ordinary shares, representing 2.43% of the Company's ordinary issued share capital. If the authority given by Resolution 14 were to be fully exercised, these options would represent 2.86% of the Company's ordinary issued share capital after cancellation of the re-purchased shares. As of 17 November 2015 there were no warrants outstanding over ordinary shares.

The Directors intend to exercise the power given by Resolution 14 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 earnings per

ordinary 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. 14 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.

Resolution 15- Notice of Meeting

Resolution 15 is a resolution to allow the Company to hold general meetings (other than annual general meetings) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations in August 2009, the Company was able to call general meetings (other than annual general meetings) on 14 clear days' notice. One of the amendments that the Companies (Shareholders' Rights) Regulations 2009 made to the Act was to increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for annual general meetings) provided that: (i) the Company offers facilities for shareholders to vote by electronic means; and (ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days.

Resolution 15 is therefore proposed as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed. The Company will use this notice period when permitted to do so in accordance with the Companies Act 2006 and when the Directors consider it appropriate to do so.

Appendix 1: Summary of the main features of the Avon Rubber plc 2015 Share Option Plan (the UK Share Option Plan)

Structure

The UK Share Option Plan takes the form of an approved share option part (the 'Approved Part'), which has appended to it an unapproved part (the 'Unapproved Part'): the Approved Part is designed to be approved by HM Revenue & Customs for tax purposes, and is therefore subject to the requirements of the relevant legislation. In particular, the value of options granted under it to a participant may not exceed a specified limit, currently £30,000. The Unapproved Part is designed to grant options on similar terms, but not subject to the specified limit and certain other requirements for tax approval.

Eligibility

Employees (excluding Directors) of the Company and such of its subsidiaries as are designated participating companies by the Remuneration Committee, will be eligible to participate under the UK Share Option Plan. Participation is at the discretion of the Remuneration

Committee but is intended to benefit junior management who do not currently participate in the Avon Rubber plc Performance Share Plan ('PSP'). The PSP is being retained for Directors and senior management of the Company.

Grant of options

Options may be granted initially in the 42 day period after adoption of the UK Share Option Plan and thereafter each year in the 42 day period following the announcement of the Company's interim or final results. In circumstances deemed exceptional by the Remuneration Committee, options may be granted outside this normal period. No consideration shall be payable for the grant of an option. Options will be personal to a participant and, except on the death of a participant, may not be transferred.

Exercise price

The price at which participants may acquire ordinary shares on exercise of their options shall be the higher of the nominal value of a share and the average middle market price quoted on the Official List of the London Stock Exchange at close of dealings on the 5 business days preceding the Date of Grant.

Individual limits

No option may be granted to a participant which would result in the aggregate market value of shares comprised in options granted to him in any 12 month period under the UK Share Option Plan and any other discretionary share option scheme adopted by the Company exceeding a one times annual salary limit.

Options granted under the Approved Part will be subject to an additional limit so that the market value of options granted under the Approved Part and any other HM Revenue & Customs approved share option scheme of the Company or any associated company may not exceed £30,000.

Share capital limit

No option which is to be satisfied on its exercise by the issue of new shares (or re-issue of treasury shares) may be granted on any date if the number of shares to which it relates, when aggregated with the number of shares issued (or re-issued) or remaining issuable (or re-issuable) by virtue of options or other rights granted or made in the preceding 10 years under the UK Share Option Plan and any other employee share scheme adopted by the Company, would exceed 10 per cent of the issued share capital at that time.

Exercise, lapse and exchange of options

Options will normally vest and become exercisable in whole or in part between the third and tenth anniversaries of the date of grant. Options may be satisfied by the issue of new shares (or re-issue of treasury shares) or the transfer of existing shares. The Remuneration Committee also retain the discretion under the Unapproved Part to settle option exercise through the use of equity settled stock appreciation rights whereby a number of shares equal to an option holder's gain is transferred or issued at nil cost to the option holder on exercise of the option. Any unexercised options shall lapse on the tenth anniversary of the date of grant.

Options normally lapse on cessation of employment of a participant. However, following cessation of employment for specified 'good leaver' reasons, including ill-health, injury, disability, redundancy or retirement, exercise will be permitted on a pro rated basis during the period of 6 months from the date of cessation. Exercise is also permitted on a pro rated basis at the discretion of the Remuneration Committee if a participant ceases employment for any other reason. In calculating the pro rated entitlement, the Remuneration Committee will take into account the time elapsed since grant to the date of termination.

On death, an Option may be exercised on a pro rated basis by the personal representatives of the deceased option holder within 12 months of the date of death on the same terms as if the Option Holder had been alive. In calculating the pro rated entitlement, the Remuneration Committee will take into account the time elapsed since grant to the date of termination.

In the event of a change of control or winding-up of the Company early exercise of an option granted will be subject to the discretion of the Remuneration Committee, who will take into account the time elapsed since grant and any other factors the Remuneration Committee considers relevant. The UK Share Option Plan contains provisions for the exchange of options as an alternative to exercise where there is a change of control. For options granted under the Approved Part such provisions comply with the requirements of the relevant tax legislation. In either case, this will be subject to the approval of the bidding company.

On a demerger, dividend-in-specie or other such transaction which the Committee determines will materially affect the value of options granted under the UK Share Option Plan, the Remuneration Committee may again permit the early exercise of such options.

Variations in share capital

The number of shares comprised in an option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights (including an open offer) or any sub-division, reduction, consolidation or other variation of the Company's share capital occurs.

Rights attaching to shares

If shares are to be allotted and issued to a participant pursuant to the exercise of any option, the Company shall apply for such shares to be admitted to the Official List of the London Stock Exchange. Such shares will rank *pari passu* with all other issued shares of the Company except for any rights determined by reference to a date preceding the date on which the option is exercised.

Amendments

The UK Share Option Plan may be amended at any time by the Remuneration Committee, provided that, without the prior approval of the Company in general meeting, no amendments may be made to the material advantage of participants in respect of provisions relating to eligibility, share capital limits, maximum entitlements and the basis for determining and adjusting a participant's entitlement in the event of a variation of the Company's share capital. The requirement to obtain the prior approval of the Company in general meeting will not apply in relation to any amendment which is of a minor administrative nature, is made to maintain HMRC approval or to comply with the provisions of any existing or proposed legislation, or to obtain or maintain favourable taxation, exchange control or regulatory treatment.

The Directors reserve the right up to the forthcoming Annual General Meeting to make such amendments and additions to the UK Share Option Plan as it considers appropriate, provided it does not conflict in any material respect with this summary.

Administration and general

To ensure compliance with the requirements for making deductions under the PAYE system, any income tax and employee's national insurance contributions (or the equivalent in any foreign jurisdiction) payable on gains made on the exercise of an option granted under the UK Share Option Plan (including options granted under the Approved Part) must either be paid to the relevant employing company by the participant (including by way of deduction from salary) or, in default of such payment being made, the Company may make the necessary deduction out of the net proceeds of sale of the shares acquired on exercise of the options.

The UK Share Option Plan also allows the Remuneration Committee to determine that a proportion of the employer's national insurance contributions arising on exercise of Options under the UK Share Option Plan should be paid by the participant and collected in the manner described above.

The Company may terminate the UK Share Option Plan at any time. Subject to such termination, the UK Share Option Plan shall terminate 10 years from the date of its adoption by shareholders.

Benefits received under the UK Share Option Plan will not be pensionable.

At the discretion of the Directors, the UK Share Option Plan may be extended to or equivalent plans may be adopted for overseas employees of the Company and its subsidiaries subject to such modifications as the Directors shall consider appropriate to take into account local tax, exchange control, securities laws or other regulatory requirements. In all cases, shares issued (or re-issued) pursuant to such schemes shall be treated as counting against the individual and overall limits of the UK Share Option Plan.

Appendix 2: Summary of the main features of the US Stock Option Plan

Structure

It is proposed that the Company adopt the Avon Rubber p.l.c. 2015 US Stock Option Plan ('the US Stock Option Plan') under which Incentive Stock Options ('US ISO') and Non-Qualified Options ('US NSO') can be granted, as a schedule to Part B of the UK Share Option Plan. The US ISO is designed to be approved by the US Internal Revenue Service (IRS) in the US for tax purposes, and is therefore subject to the requirements of the relevant US tax legislation. Unless otherwise stated, the main features of the US Stock Option Plan mirror those of the UK Share Option Plan.

Eligibility

Employees (excluding Directors) of the Company and such of its subsidiaries as are designated participating companies by the Remuneration Committee, will be eligible to participate under the US Stock Option Plan. Participation is at the discretion of the Remuneration Committee but is intended to benefit junior management who currently do not participate in the Avon Rubber plc Performance Share Plan (PSP). The PSP is being retained for Directors and senior management of the Company.

Exercise price

The price at which participants may acquire ordinary shares on exercise of their options shall be the higher of the nominal value of a share and the average middle market price quoted on the Official List of the London Stock Exchange at close of dealings on the 5 business days preceding the Date of Grant (the 'Market Value').

Individual limits

The US Stock Option Plan will be subject to the same individual limits as the UK Share Option Plan save that the aggregate Market Value of the shares for which one or more options granted to any participant under the US ISO may, for the first time become exercisable during any one calendar year, shall not exceed \$100,000.

Share capital limit

The US Stock Option Plan will be subject to the same share capital limit as the UK Share Option Plan save that the aggregate number of shares which may be issued under the US ISO is limited to two million shares.

Exercise and lapse of options

Options will normally vest and become exercisable in whole or in part between the third and tenth anniversaries of the date of grant. Options may be satisfied by the issue of new shares (or re-issue of treasury shares) or the transfer of existing shares. Any unexercised options shall lapse on the tenth anniversary of the date of grant.

Options normally lapse on cessation of employment of a participant. However, following cessation of employment where employment ceases on account of injury, ill health, disability or retirement, or the disposal of the participating subsidiary or the business in which the Participant is employed, exercise will be permitted on a pro rated basis during the 6 month period following cessation (unless the reasons for cessation are disability, within the meaning of Internal Revenue Code section 22(e)(3), in which case the options may be exercised on a pro rated basis within one year from the date of cessation). Exercise of options is also permitted on a pro-rata basis at the discretion of the Remuneration Committee if a participant ceases employment for any other reason. In calculating the pro rated entitlement, the Remuneration Committee will take into account the time elapsed since grant to the date of termination.

On death, an Option may be exercised on a pro rata basis by the personal representatives of the deceased option holder within 12 months of the date of death on the same terms as if the Option Holder had been alive.

In the event of a change of control or winding-up of the Company early exercise of an option granted will be subject to the discretion of the Remuneration Committee, who will take into account the time elapsed since grant, and any other factors the Remuneration Committee considers relevant. The US Stock Option Plan also contains provisions for the exchange of options as an alternative to exercise where there is a change of control, which in all cases will be subject to the approval of the bidding company.

On a demerger, dividend-in-specie or other such transaction which the Committee determines will materially affect the value of options granted under the US Stock Option Plan, the Remuneration Committee may again permit the early exercise of such options.

Amendments

The US Stock Option Plan may be amended at any time by the Remuneration Committee, provided that, without the prior approval of the Company in general meeting, no amendments may be made to the material advantage of participants in respect of provisions relating to eligibility, share capital limits, maximum entitlements, the definitions of "Market Value" and "Share Price" and the basis for determining and adjusting a participant's entitlement in the event of a variation of the Company's share capital.

The requirement to obtain the prior approval of the Company in general meeting will not apply in relation to any amendment which is of a minor administrative nature, is made to obtain or maintain IRS approval or to comply with the provisions of any existing or proposed legislation, or to obtain or maintain favourable taxation, exchange control or regulatory treatment.

The Directors reserve the right up to the forthcoming AGM to make such amendments and additions to the US Stock Option Plan as it considers appropriate, provided it does not conflict in any material respect with this summary of the US Stock Option Plan and to make such amendments and additions to the US Stock Option Plan up to and after the AGM to the extent required to secure the approval of the IRS.

Miscellaneous

To ensure compliance with the withholding tax requirements in the US, any federal, state, local or other tax or social security (or the equivalent in any foreign jurisdiction) payable on gains made on the exercise of an option granted under the US Stock Option Plan must either be paid to the relevant employing company by the participant (including by way of deduction from salary) or, in default of such payment being made, the Company may make the necessary deduction out of the net proceeds of sale of the shares acquired on exercise of the options.

The Company may terminate the US Stock Option Plan at any time. Subject to such termination, the US Stock Option Plan shall terminate 10 years from the date of its adoption by shareholders.

Benefits under the US Stock Option Plan will not be pensionable.

SHAREHOLDER INFORMATION

Shareholding

On 9 November 2015 the Company had 1,630 shareholders, of which 964 (59%) had 1,000 shares or fewer.

Financial calendar

Interim results announced in May and final results in November.

In respect of the year ended 30 September 2015 the annual general meeting will be held on 26 January 2016 at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Corporate information

Registered office

Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Registered

In England and Wales No 32965
VAT No. GB 137 575 643

Board of Directors

David Evans (Chairman)
Andrew Lewis (Interim Group Chief Executive)
Richard Wood (Non-Executive Director)
Pim Vervaat (Non-Executive Director)

Company secretary

Miles Ingrey-Counter

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Registrars & transfer office

Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

Tel: 0871 664 0300
(calls cost 10p per minute plus network extras,
lines are open 8.30am–5.30pm Mon-Fri)

Brokers

Arden Partners plc

Solicitors

TLT LLP

Principal bankers

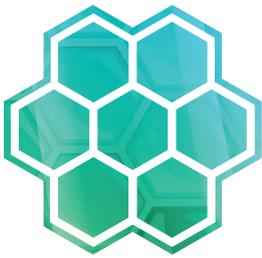
Barclays Bank PLC
Comerica Inc.

Corporate financial advisor

Arden Partners plc

Corporate website

www.avon-rubber.com



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