

Directors' Report

For the year ended 30 September 2012

The Directors submit the annual report and audited financial statements of Avon Rubber plc ("the Company") and the Avon Rubber group of companies, ("the Group") for the year ended 30 September 2012. The Company is registered in England and Wales with company registration number 00032965.

Principal activities and business review

The principal activities of the Group are the design and manufacture of respiratory protection products for defence, first responder and industrial users, together with the design and manufacture of a range of polymer based products for the dairy and defence industries.

The business review, which includes information on the Group's development and performance during the year, commentary on future developments and a description of how the Company manages principal risks and uncertainties is set out on pages 10 to 24.

Financial results and dividend

The Group profit for the year after taxation amounts to £7,829,000 (2011: £7,118,000). Full details are set out in the income statement on page 56.

An interim dividend of 1.2p per share was paid in respect of the half year ending 31 March 2012 (2011: 1.0p).

The Directors recommend a final dividend of 2.4p per share (2011: 2.0p) resulting in a total dividend distribution per share for the year to 30 September 2012 of 3.6p (2011: 3.0p).

Share capital

Details of the Company's share capital, including rights and obligations attaching to the shares, are set out in note 19 of the financial statements. The issued share capital consists of ordinary shares with a nominal value of £1, all of which are fully paid up, rank equally in all respects and are listed on the Official List and traded on the London Stock Exchange. 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 and to attend, speak and exercise voting rights (including by proxy) at general meetings. 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 1,400,642 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 bank loan agreements and the performance share plan. The agreements relating to the £5,000,000 and US\$15,500,000 revolving credit facility made available to the Company by Barclays Bank PLC and the \$15,000,000 revolving credit facility made available to the Company by Comerica Bank would become repayable upon a change of control of the Company and are therefore considered significant in terms of potential impact on the business of the Group as a whole if there was a change of control. 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) at any time is/are or become(s) interested in more than 50% of the issued ordinary share capital 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 conditions have 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.

20%
dividend
growth

FRIDAY



A25

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07/06/2013
COMPANIES HOUSE

#172

Substantial shareholdings

At 6 November 2012, the following shareholders held 3% or more of the Company's issued ordinary share capital -

Schroder Investment Management	19.33%
BlackRock Investment Management	11.29%
Henderson Global Investors	10.32%
Cazenove Capital Management	5.01%
Avon Rubber plc Trustees	4.56%
EFG Harris Allday	3.44%
M&G Investment Management	3.27%

Acquisition of own shares

During the year the Directors had the power to make purchases of up to 4,608,492 of the Company's own shares in issue during the year on the basis as set out in the explanatory note on page 113. No share purchases were made by the Company during the year but it did fund the purchase of 90,000 shares with a nominal value of £1 each by one of the Employee Share Ownership Trusts as described in note 19. The Directors also had the authority to allot shares up to an aggregate nominal value of £10,241,097 which was approved by shareholders at the 2011 annual general meeting. 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 annual general meeting when resolutions to renew these authorities will be proposed. Dividends on shares held by the Employee Share Ownership Trusts have been waived.

Directors

The names of the Directors as at 21 November 2012 are set out on page 25.

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 no changes to the membership of the Board. Mr D R Evans succeeded Sir Richard Needham as Chairman at the 2011 annual general meeting. Sir Richard has remained as a Board member but will retire from the Board at the 2012 annual general meeting on 7 February 2013. As announced to shareholders on 21 November 2012, on 1 December 2012 Mr R K Wood will be appointed to the Board as a Non-Executive Director. 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 51.

The Board is satisfied that Sir Richard Needham, Mr D R Evans and Mrs S J Pirie are independent Non-Executive Directors. Each has a service agreement and details of these are contained in the Remuneration Report on page 51.

Mr D R 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. Mrs S J Pirie, the Senior Independent Non-Executive Director gives full support to Mr Evans' offer of re-election and draws the attention of shareholders to his profile on page 25.

Mr R K Wood retires under Article 79 and, being eligible, offers himself for re-election.

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

All Executive Directors' service contracts with the Company require one year's notice of termination, subject to retirement, currently at age 60 for Mr P C Slabbert and 65 for Mr A G Lewis. Neither of the Executive Directors is currently appointed as a non-executive director of any limited company outside the Group.

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.

In 2006 the Company's Articles were amended to 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.

profit after
tax up

10%

Directors' Report

For the year ended 30 September 2012

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 field of polymer technology and materials 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 £6,627,000 (2011 £6,558,000) further details of which are contained in the Business Review on pages 10 to 24.

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 are set out at the end of this report on pages 30 to 35.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to £17,725 (2011 £15,337) consisting exclusively of numerous small donations to various community charities in Wiltshire, Michigan, Wisconsin, Georgia 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 18 of the financial statements.

Post balance sheet events

There have been no 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. Under that law 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 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.

Each of the Directors, whose names and functions are listed on page 25 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 review of the business contained on pages 10 to 24 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 2012, the number of days' purchases outstanding at the end of the financial year for the Group was 24 days (2011: 23 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 2012 there were no trade creditors in the balance sheet of the parent company (2011: 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 36 to 41. 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 its Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 7 February 2013 at 10.30am. The Notice of Meeting can be found on pages 108 to 113. Registration will be from 10.00am.

Miles Ingrey-Counter

Company Secretary
21 November 2012

Environmental and Corporate Social Responsibility

Annual report on environmental and corporate social responsibility

The Directors recognise the importance placed in the UK on how businesses take account of their economic, social and environmental impact with the aim of addressing their own competitive interests at the same time as those of wider society. 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 by being an economic, intellectual and social asset to each community in which we operate.

At many of our sites we are the largest employer in the local area. As an integral part of the community we are aware of the impact the Group has on its local environment and seek to contribute to its economic, social and environmental sustainability.

We also strive to

- manage the Group as a sustainable business for the benefit of shareholders and other stakeholders,
- aim for the highest standards of health and safety in the workplace,
- develop and motivate our employees, ensuring they are fully engaged in the Group's strategy, and
- minimise waste and emissions that contribute to climate change.

Business conduct

Our Policy & Code on Business Conduct requires our employees to carry on 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 Policy and Code also contains guidance on avoiding conflicts of interest and managing relationships with third parties.

A copy of the Policy & Code which is in its twelfth version this year, can be found on our website, www.avon-rubber.com

Ethics and anti-corruption

The Policy & Code contains material on bribery and corruption further to the introduction of the UK Bribery Act 2010, which includes a new corporate offence of failing to prevent bribery. These areas continue to receive more focus as part of our aim to uphold the strictest standards of business conduct throughout the Group and to ensure that the Group would be able to show that it had adequate procedures in place designed to prevent bribery from being committed by those performing services on its behalf. For example, all agents and third parties who act on behalf of the Group are obliged to comply with the standards set out in the Policy & Code, which will be incorporated into all written arrangements. The Policy & Code also contains a whistleblowing procedure which enables any employee or individual working for the Group to raise concerns about breach of policy or malpractice.

Investing in young talent

Student engineer James Carswell used his work experience with Avon to create a prototype integrated protective helmet and respirator for army personnel as part of his engineering project for Brunel University's school of Engineering and Design. James' "Air Armour" system is designed to provide protection against traumatic brain injury from exposure to improvised explosive device blasts.

Air Armour system

Environmental sustainability

Whilst Avon's facilities and manufacturing processes are low in environmental impact, the Group is committed to ensuring that its businesses are as efficient as possible and conducting business in ways that are sensitive to the environmental needs of the communities in which we operate

In our dairy business the unique design of our products and our innovative technologies allow our customers to benefit from improved milking efficiency and better animal health, increasing output. With an ever-increasing world population and increasing demand for milk products, Avon Dairy Solutions meets a social and economic need through efficient milk production.

Our environmental objectives continue to focus on the activities of

- Energy consumption
- Waste and recycling
- Supplier environmental development

Our aim is to ensure our operations and products comply with relevant environmental legislation and operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources and prevention of pollution whilst keeping our suppliers informed of our environmental expectations. As technology improves we expect to be able to reduce waste further and increase the level of recycling.

All manufacturing sites have complied with local, State and Federal requirements during the year.

Energy consumption

Across the Group we have implemented a number of energy saving initiatives. Programmes include

- wider use of our video conferencing facilities reducing the need for car and air travel
- exchange of existing lighting with high efficiency fluorescent fixtures
- installation of motion detectors to turn off lighting that is not needed
- elimination of offsite warehouses to reduce utilities consumption

Hampton Park West in Wiltshire is registered as a full participant in the Environment Agency's Carbon Reduction Commitment Energy Efficient Scheme (CRC), making energy saving even more important, not only to minimise our impact on the environment but also to manage the cost of future allowances and the Company's reputation.

Waste and recycling

During the year a number of Kaizen programmes have been run to reduce scrap and increase production efficiency.

In the UK, during 2012 recycling averaged 82% and further improvements made during the year should result in an increase in this figure in 2013. All reject rubber components are sent to a manufacturer of playground safety materials and our waste cardboard, paper and polythene is recycled. We have halved the general waste sent to landfill, reducing our costs and helping to fulfil our environmental responsibility. All these improvements have been achieved through education, training and the diligence of our employees throughout the year.

In the US we are working with the University of Wisconsin - Madison to find new applications for rubber waste. Demilitarisation of process scrap for DoD products has already reduced the volume sent to landfill by 30%-40%.

Our research and development arm, Artis, is working with a number of organisations to develop new techniques for tyre recycling. We have successfully developed a number of recycled crumb treatments which will allow upcycling of tyre and other materials into higher value products. We are also investigating treatments for other non-rubber materials. We continue to work with a number of external clients involved in a range of recycling technologies covering products from footwear to rail components and infrastructure, to pyrolysis processes.

Suppliers

We are committed to working with suppliers in mutually beneficial ways, and so far as is practicable, require that suppliers and contractors act in accordance with the Group's values and policies.

Environmental and Corporate Social Responsibility

Health and safety

The Board recognises the importance of health and safety to the business. Not only does a safe working environment contribute to employee well-being, but the prevention of accidents and personal injury contributes to the running of an efficient business. The Group's stated policy is that management practices and employee work activity will, so far as reasonably practical, ensure the health, safety and welfare at work of its employees, contractors and visitors, together with the health and safety of all other persons affected by the business activities of the Group's operations.

All of the Group's businesses maintain health and safety systems that are both compliant with Group policy and appropriate to the business, with the overall objective of providing a safe and healthy working environment. Accident rates are consequently low across the Group.

Monitoring of our safety performance is an integral part of the Group's operations and is one of the non-financial key performance indicators reviewed regularly by local management.

Accident rates across the 5 manufacturing sites during 2012

	OSHA TOTAL CASE INCIDENT REPORT RATE FOR THE YEAR*			OSHA RECORDABLE ACCIDENTS FOR THE YEAR		
	Target	2012	2011	Target	2012	2011
Hampton Park West, UK	NIL	1.1	3.0	NIL	2	4
Avon Protection Systems, Cadillac	NIL	1.0	4.5	NIL	2	11
Hi-Life, Wisconsin	NIL	3.0	6.9	NIL	4	9
ISI, Georgia	NIL	NIL	5.5	NIL	NIL	3
AEF, Mississippi	NIL	3.9	8.1	NIL	1	3

*the number of Occupational Safety and Health Administration (OSHA) recordable injuries per 200 000 man hours worked

Investing in our people

Varun Kapoor, one of the young engineers in our design engineering team, secured a bursary from the International Society of Respiratory Protection (ISRP). His paper on the improvement of passive speech transfer through respirators and the benefits for speech intelligibility was presented at the ISRP's bi-annual conference.

Investment in our employees

The Group recognises that motivated and engaged employees are the key to achieving our corporate goals. We are committed to equality of opportunity in all employment practices, policies and procedures and to providing motivation and development in a safe and healthy environment. One of our corporate values is to motivate our people through appropriate recognition and reward programmes.

We seek to be a modern, flexible, customer service driven organisation whose employees operate in an engaged environment of trust and empowerment. 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.

- 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 businesses

CREED is fundamental to Avon's employee Performance Management Process, which measures and rewards employee adherence to its values.

The Group recognises outstanding individuals through its 'CREED Heroes' programme, a quarterly award scheme whereby employees can nominate colleagues whom they believe embody the CREED values in their job performance. Each CREED Hero receives a tangible financial award, wide recognition across the Group and is then shortlisted to receive the annual accolade of being Avon's group-wide CREED hero.

Engagement of our employees and two-way communication is key to the success of the Group. Every year the Company runs an Employee Opinion Survey (EOS), with online access for every employee. The EOS gives each employee an opportunity to provide feedback and to suggest ways in which Avon could improve. Employees are asked to put themselves in the shoes of the Chief Executive who responds personally to all comments.

The EOS is a clear driver for change and all responses are collated and presented to employees. Each site management team is then tasked to review each idea and suggestion and publish its responses and plans for improvement.

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

	Target	2012	2011
Response rate	>50%	>52%	>54%
Overall score (out of 5)	>3	3.7	3.6
I have pride in being an employee of the company (out of 5)	>3	4.3	4.2

The EOS helps to ensure Avon listens to its employees and strives for continuing improvement. The survey will continue to be an annual forum that helps Avon invest in its people and drive success.

Environmental and Corporate Social Responsibility

Avon is committed to recognising, developing and recruiting new talent across the businesses. We encourage talented employees by matching the right people to the right roles and by ensuring professional development opportunities are available throughout their careers within the Group. In the UK we run a student engineering programme, enabling a second year university student to spend a year as a member of our design team, working on new product development. In the US we participate in Georgia Tech's Co-Operative programme which allows engineering students to alternate school semesters with full-time work semesters from their freshman year to graduation. 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. One of the students who graduated from this programme now runs the engineering department in our Georgia facility.

During the year we implemented 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 have been invited to join the Employee Stock Purchase Plan (ESPP). Both provide the opportunity to purchase shares through accumulated payroll deductions.

Community and charitable contributions

As a responsible member of the communities in which we operate, we actively encourage our operating companies to engage positively with the local community in their areas.

In the US we continue to support extracurricular activities through sponsoring our employees and their children in local bowling leagues, softball leagues, high school athletics and ski teams.

- Once again the Salvation Army provided a list of items required by local families who were anonymously "Adopted for Christmas". Avon Protection adopted three families and also provided food for a Christmas meal.
- Our Cadillac employees continued with Jeans Day Fridays raising \$4,800 which was distributed to 12 local societies and charities.
- Support Oasis, a local shelter for women who are victims of domestic abuse was supported by our Cadillac employees through a can and bottle recycling project.
- Avon Protection again sponsored the food distribution truck for "Feeding America" in Cadillac. This is the third year we have participated. Volunteers helped to distribute food to 145 families in temperatures of almost 100°F. Approximately 5 tons of food is given away at each distribution.
- Avon Protection donated \$1,000 to the Cadillac Chamber of Commerce "After 26" project and \$1,000 to the Stehouwer Free Clinic, a community based, not-for-profit organisation providing free primary health care to the uninsured.

Avon Protection also sponsored a number of local activities including the independence day celebrations and the festival of races.

Congratulations to our true hero

Rob Piasecki, a filter line leader in Cadillac received a commendation from Bay City (Michigan) for his heroic efforts in helping to save a little girl from a house that had caught fire. Rob ran into the burning building and rescued the little girl from the upper storey, exiting just before the side of the house collapsed. The girl suffered some burns and smoke inhalation but made a full recovery in hospital.

Rob Piasecki with his commendation

Investing in the local community

A group of young engineers represented Avon at a local school, Melksham Oak on their design and technology careers day. The team answered questions from year 9 pupils on how best to pursue careers in their chosen fields and the benefits of a design related vocation. Several longer term collaborations with the school are now in the pipeline, aimed at fostering design and engineering talent locally and attracting local talent into the Group.

Avon engineers with pupils from Melksham Oak Community School

In the UK the Group maintains a fund with the Community Foundation for Wiltshire and Swindon, a charity dedicated to strengthening local communities in West Wiltshire by targeting its grants to make a genuine difference to the lives of local people.

Avon's fund provided grants to

- **HELP Counselling** - a volunteer counselling service taking referrals from social workers and doctors to help clients suffering long and short term problems including bereavement and cancer
- **Wiltshire Music Centre** - which holds workshops with schools for young disabled students and has an education centre where programmes are held including engaging disabled people with creating and composing music or receiving music therapy
- **Holt Luncheon Club** - a club for residents of Holt aged 60 and over, giving isolated older people the opportunity to have a freshly cooked hot meal and meet friends from the village. Our grant paid for the hall hire costs for a year.
- **Trowbridge Rangers FC** - is a youth football club holding weekly training sessions and matches along with fundraising events. They aim to keep youngsters occupied and engaged in sport and activities with a view to reducing anti-social behaviour. Our donation will help train coaches to the required standards and help with the purchase of equipment.
- **AFC Melksham** - this is a football club for local people in the Wiltshire area. Our donation will help with the purchase of equipment and training to ensure compliance with Football Association changes.

In addition

- Our Melksham employees continued our support of a number of charities including Dorothy House Hospice Care, Barnardos and the National Blind Children's Society by sponsored events and collections.
- We also took part in a charity Easter Egg Mountain gathering again this year for various charities including St Mungo's Charity for the homeless and Genesis Housing.

Miles Ingrey-Counter

Company Secretary

21 November 2012

Corporate Governance

Statement of compliance with the UK Corporate Governance Code (2010)

The Board of Directors believes in high standards of corporate governance, notwithstanding the Company's position outside the FTSE500, 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 (2010) ("the Code") which is available on the website of the Financial Reporting Council ("FRC"). The Board is applying the May 2010 version of the Code for the financial year commencing 1 October 2011.

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 2012. 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 42 to 55.

The Board confirms that it has been applying the procedures necessary to implement the Turnbull Guidance on how to apply the section of the Code dealing with internal control.

Leadership and effectiveness

During the year the Board of Avon Rubber plc 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. During the year Sir Richard Needham stood down as Chairman of the Board but remained a Non-Executive Director and was treated as an independent Non-Executive Director. Mr D R Evans succeeded Sir Richard as Chairman. Sir Richard will retire from the Board in February 2013. A new, independent Non-Executive Director, Richard Wood, has been recruited with effect from 1 December 2012.

All Directors submit themselves for re-election at regular intervals of not more than three years and are subject to re-election at their first annual general meeting after appointment. 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 9 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 25. These illustrate the range of business and financial experience which the Board is able to call upon. The intention of the Board is that its membership should be 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, in 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, embracing 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

Each Director has full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. All Directors receive an induction 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 and appropriate Committees. 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. The evaluation prompted a discussion which covered the consideration given to social and environmental issues and whether the Board communicated effectively with the management team, employees and shareholders. The evaluation concluded that the Board operates well and the Board Committees operate effectively. In particular the Board contributes valuably to strategy, has appropriate matters reserved to it for its decision and commits the necessary time to be effective.

Corporate Governance

Statement of compliance with Combined Code

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. Mrs S J Pirie remains Chairman of the Audit Committee and Senior Independent Non-Executive Director. The Board is satisfied that Mrs Pirie has recent relevant financial experience and her profile appears on page 25. Mr D R Evans has chaired the Nominations Committee since February 2012. Prior to this Sir Richard Needham was Chairman but this role was fulfilled by Mrs Pirie as Senior Independent Non-Executive Director when dealing with the appointment of Sir Richard's successor as Chairman of the Board. Mr D R Evans was Chairman of the Remuneration Committee until February 2012 when this role was taken on by Sir Richard Needham.

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 42 to 55.

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 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 towards the end of the year to discuss the appointment of a Non-Executive Director in place of Sir Richard Needham, who retires from the Board at the annual general meeting in February 2013.

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

Activities during the year

The Audit Committee meets three times a year. The meetings are also attended by the Executive Directors and usually 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. There were no changes to the terms of reference in the year under review.

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. 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 interim management 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. The Committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors

PricewaterhouseCoopers LLP have been the Company's external auditors for a number of years. In November 2011 the Committee reviewed the external audit mandate and confirmed the continuing appointment of PwC. This was on the basis that the Committee was comfortable that the PwC audit team remained independent on the basis of the regular rotation of the audit partner, although it was agreed to review this annually moving forward. It was also noted that the external audit and tax compliance fees had reduced year on year for the previous three years. Whilst there is currently no regulatory or governance requirement to rotate the external audit mandate, 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 an Auditor Independence Policy which was also reviewed in November 2011. 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, for example tax compliance work. 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 sign off by the Chairman 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 PricewaterhouseCoopers LLP 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 4 on page 69 to the financial statements. 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 2012 and 2013.

The Board 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 Audit Committee, which remains satisfied with the arrangements.

During the year, no significant failings or weaknesses were identified by the internal audit process but several minor improvements were identified and implemented. Most of the outstanding process issues identified through the internal audit will be remedied by the introduction of the new ERP system in 2013.

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 Turnbull Guidance. Risk management activities are dealt with in more detail below.

Corporate Governance

Statement of compliance with Combined Code

Meetings during year ended 30 September 2012

	Board	Audit Committee	Remuneration Committee	Nominations Committee
S J Pirie	9	3	5	1
Sir Richard Needham	9	3	4	1*
D R Evans	9	3	5	1
PC Slabbert	9	3*	5*	1*
A G Lewis	9	3*		1*

* Attendance by invitation

The Board schedules 8 or 9 regular meetings per year. This year 4 further meetings have been held on an ad hoc basis, including by telephone conference, for example in connection with amendments to banking facilities, bid pricing and internal transactions. In addition, between them, the three Non-Executive Directors visited the Lawrenceville and Baltimore facilities accompanied by the executive management team to meet management at these sites and receive presentations from them.

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. Interim management 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 correspondence from individual shareholders on a wide range of issues. 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 reviewed by the Senior Independent Non-Executive Director. 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 upon request through the Company Secretary.

At the annual general meeting on 7 February 2013, 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 plan 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 and could, in the Company's case, reduce the voting on resolutions as it would require attendance at the annual general meeting by a representative of each major shareholder.

Accountability

The Code requires that Directors review the effectiveness of the Group's system of internal controls. The scope of this review covers all controls including financial, operational and compliance controls as well as risk management. As indicated earlier, the Board has put in place the procedures necessary to implement the Turnbull Guidance on internal control 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 above 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 Business Review on pages 21 to 23.

Risk management

Risk is managed by the executive management team at its quarterly meetings during the year, led by the Company Secretary and the Chief Executive. At each meeting the 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 executive management team. The Board also carried out an annual review of the major business risks affecting the Group. 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 Turnbull Guidance.

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

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year with management and, 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 pages 26 to 29 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.

Stella Pirie OBE
Chairman of the Audit Committee
21 November 2012

Remuneration Report

for the year ended 30 September 2012

Part 1 of this Report sets out the Company's remuneration policies for the Directors for the year ended 30 September 2012. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed appropriately. Part 2 sets out audited details of the remuneration received by Directors during the year ended 30 September 2012.

Part 1. Remuneration policies (not subject to audit)

Executive Directors

Remuneration Committee

The Remuneration Committee is responsible for developing the remuneration policy for the Executive Directors and for determining their individual packages and terms of service. In establishing this policy, and to ensure consistency with the arrangements for other management levels, the Remuneration Committee has regard to pay and conditions throughout the Group and is also responsible for setting the remuneration packages for the other members of the executive management team.

The Committee comprises Sir Richard Needham (Chairman), Mr D R Evans and Mrs S J Pirie. Sir Richard Needham became Chairman of the Committee in February 2012 when he stood down as Chairman of the Board and Mr D R Evans, the previous Chairman of the Committee, became Chairman of the Board. The Chief Executive, Mr P C Slabbert and the Company Secretary, Mr M Ingrey-Counter, are invited to attend meetings except when matters relating to their own remuneration arrangements are discussed. The Committee also uses external independent professional advisers when needed. KPMG is the Company's independent actuarial advisor on pension matters and will provide the Committee with information on executive pension arrangements when required. Ernst & Young provide performance monitoring data for review by the Committee in relation to the Performance Share Plan. In September 2011 Ernst & Young also conducted a benchmarking review of the reward packages received by the executive management team and the fees received by the Chairman and the other Non-Executive Directors.

The Committee met 5 times during the year and addressed the following main issues:

- approval of the Executive Directors' annual bonus payments
- approval of the annual bonus plan for the Executive Directors for the coming year
- reviewed and confirmed the vesting of the 2008/9 Performance Share Plan award

- reviewed and approved the 2011/12 Performance Share Plan awards and monitored the performance of the outstanding awards against their performance targets
- reviewed the executive management team's succession and talent management plan
- reviewed the remuneration of the Executive Directors, the Chairman and the other members of the executive management team

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,
- 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 discretionary plans, determining each year whether awards will be made, the overall amount of such awards, the individual awards to Executive Directors and the executive management team and the performance targets to be used,
- determining the targets for any performance-related bonus schemes operated by the Company,
- reviewing the remuneration trends across the Group, including the salary increases proposed annually for all Group employees,
- agreeing termination arrangements for senior executives

The Committee's aim is to ensure that the structure of executive remuneration 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, and
- 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

Remuneration elements

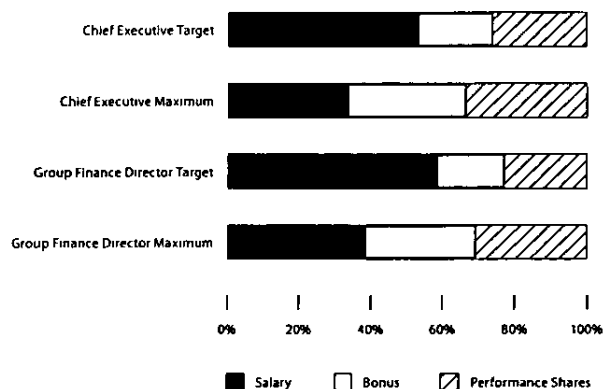
Type of remuneration	Description	Purpose
Base Salary	Cash salary based on individual contribution which is reviewed annually	Reflects the competitive market salary level for the role and takes account of personal performance and contribution to corporate performance
Pension	15% of base salary	Provides funds to be saved for retirement
Annual bonus	100% of base salary for PC Slabbert and 80% of base salary for A G Lewis Paid in cash based on the Company's annual financial performance, and, to a lesser degree the executive's personal performance against a set of personal performance targets	Rewards the achievement of meeting stretching annual financial targets
Performance Share Plan	Maximum award of 100% of base salary for PC Slabbert and 80% of base salary for A G Lewis Awards vest after a 3 year performance period	Aligns the executives' interests with shareholder interests through the ownership of shares. Vesting is dependent on enhanced relative returns to shareholders and earnings per share over a long term performance period

Remuneration Report

for the year ended 30 September 2012

The following table illustrates the proportion of variable pay to base salary for the Chief Executive and the Group Finance Director for 2012/13, assuming target (which is median performance) or maximum performance related pay

Proportion of performance related pay to salary



Salary

In setting salary levels, the Remuneration Committee considers the experience and responsibility of executives and their personal performance during the previous year. The Committee also takes account of salary levels within other companies of a similar size and global spread, as well as the rates of increases for other employees within the Group. The Remuneration Committee reviews salaries with effect from October each year.

In September 2011 Ernst & Young were instructed by the Committee to conduct a benchmarking review of the reward packages received by the executive management team. The report benchmarked these by reference to a comparator group of 18 UK listed companies selected according to size, industry sector or location as a suitable benchmark group for the Company.

Comparator group of companies for reward benchmarking:

Consort Medical plc	Renold plc
Cosalt plc	Scapa Group plc
Diploma PLC	Trifast plc
Hamworthy Plc	Victrix plc
Hampson Industries PLC	Corin Group PLC
James Latham plc	Future PLC
Lonrho plc	Haynes Publishing Group PLC
Melrose Resources plc	Helphire Group plc
Renishaw plc	Latchways plc

According to the report the Chief Executive and Group Finance Director roles attracted salaries below the minimum pay range found in the comparator group. Based upon the report, the significant growth delivered in recent years and the future prospects for growth, the Committee agreed a strategy to target the median pay level, but not in a single large increase. The first step towards the median was taken with effect from 1 October 2011 when Mr P C Slabbert's salary was increased from £235,000 to £280,000 (a 19.1% increase) and Mr A G Lewis's salary was increased from £162,000 to £200,000 (a 23.5% increase).

In September 2012 the Committee considered whether to grant a further increase towards the median level for Mr Slabbert and Mr Lewis but decided against this. No general salary increase was made either and the Committee will review the position again in September 2013.

Annual bonus

The executives' annual bonus arrangements are focused on the achievement of the Company's short term financial objectives. Before the start of each year, the Remuneration Committee sets financial performance targets for the year, which are designed to be stretching. For 2012/13 80% of Mr P C Slabbert's bonus potential of 100% of salary will be based on the achievement of Group financial targets and the remaining 20% will be based on achieving measurable personal performance targets, as shown below. 70% of Mr A G Lewis's bonus potential of 80% of salary will be based on the achievement of Group financial targets and the remaining 10% will be based on achieving measurable personal performance targets, also as shown below.

	PC Slabbert	A G Lewis
1. Financial Targets		
(a) Group profit budget achievement (Group PBITE)	30%	25%
(b) Profit growth on previous year (year on year PBITE growth)	30%	25%
(c) Group cash generation (ratio of operating cashflow to operating profit)	20%	20%
2. Personal Performance Target Rating		
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	20%	10%
Total potential bonus 2013 as a percentage of basic salary	100%	80%

Remuneration Report

for the year ended 30 September 2012

The 2011 Ernst & Young benchmarking review found that the annual bonus percentages for Mr Slabbert (80%) and Mr Lewis (70%) were below the median. In September 2011 the Committee therefore agreed that the annual bonus for the financial year commencing 1 October 2011 would be increased to 100% of salary for Mr Slabbert and 80% of salary for Mr Lewis and this is the maximum bonus potential for 2012/13 under these arrangements. Bonus payments are not pensionable.

Performance Share Plan (PSP)

The Remuneration Committee introduced this Plan with shareholder approval at the annual general meeting in 2002 and in 2010 shareholders approved a replacement. 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). The Committee believes that these financial performance conditions remain appropriate for a growing business and the expectations of shareholders over the next three years. Non-financial performance conditions have been considered but are not appropriate at the current stage in the development of the Group.

The TSR measure takes the total return received by the Company's shareholders in terms of share price growth and dividends over a period of time and compares it with the total returns received by shareholders in companies within a pre-determined 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 % 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 whether to make the targets apply concurrently but decided against this, preferring a 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 that a three-year performance period remains appropriate for the Company and is in line with market practice amongst the FTSE Small Cap community.

For the TSR measure, the performance of the Company's shares over the performance period is compared to the TSR performance within a comparator group comprising the FTSE Small Cap index, excluding investment trusts. The Committee has considered whether to create a bespoke comparator group but concluded that there are insufficient direct comparator companies of the right size and in the relevant industries to warrant a specific peer group and the FTSE Small Cap Index remains an appropriate comparator group. 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. Last year the Committee reduced the minimum TSR vesting target from 40% to 30% to make it more challenging. While the Committee has noted that market practice is moving towards a 25% minimum vesting level it has decided not to implement a further reduction this year, but this will be kept under review.

For the EPS measure, the earnings per share over the performance period are compared to a scale which allows 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 is difficult to link the EPS target to broker forecasts which only look out one year, but if inflation is assumed at 3%, then under the EPS measure the Group has to grow profits by 20% over 3 years to achieve minimum vesting and by 35% to achieve maximum vesting. These measures are ahead of expectations for businesses in the Company's sector where longer term forecasts are published.

In addition, the Committee may reduce the number of shares which will vest or decide that no shares will vest if it considers that the financial performance of the Company or the performance of the participant does not justify vesting.

Ranking of the Company's TSR in the peer group

Below median	Nil
Median	30%
Upper quartile	100%

EPS growth targets

% of award vesting	
RPI +3%	Nil
RPI +8%	100%

The maximum value that can be granted under the Plan rules in any year is 100% of salary. It is the Remuneration Committee's intention that only the Chief Executive should receive the maximum conditional grant, with the Group Finance Director receiving 80% of salary. These levels were reviewed and validated in September 2011 by the Committee by reference to the Ernst & Young benchmarking review.

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, savings in National Insurance Contributions resulting from this are not offset by the loss of corporation tax credits because of the presence of historic tax losses in the UK.

As announced to shareholders in December 2011, joint ownership awards, nil cost options and conditional awards of shares were granted under the 2010 Plan to the Executive Directors and members of the Group Executive team.

The Committee determined in December 2011 that the 2008/9 award vested in full on the basis that the TSR over the three years from 1 October 2008 to 30 September 2011 was significantly ahead of the upper quartile of the comparator group. As a consequence, and as announced to shareholders in December 2011, 460,714 shares were awarded to Mr Slabbert and 222,857 shares were awarded to Mr Lewis.

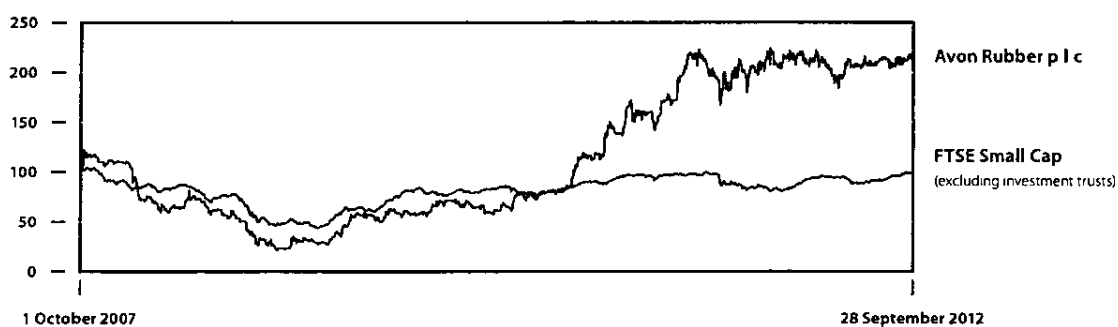
Remuneration Report

for the year ended 30 September 2012

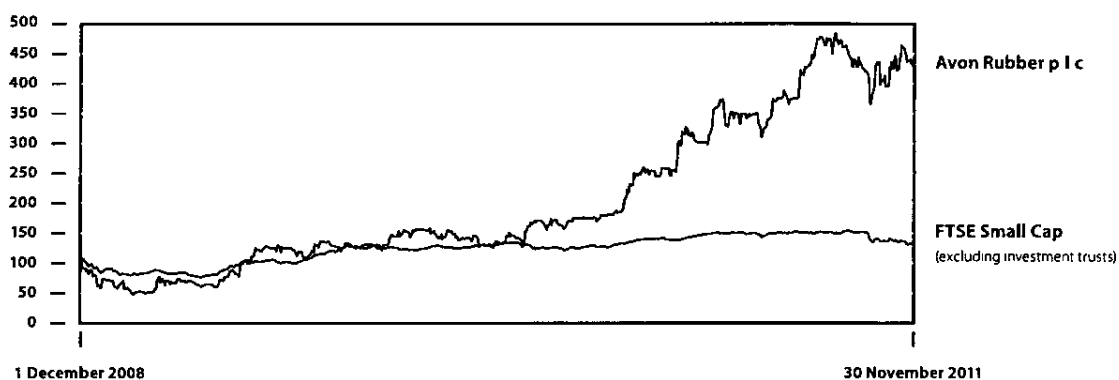
Performance graph

The following graphs illustrate the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last three and 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

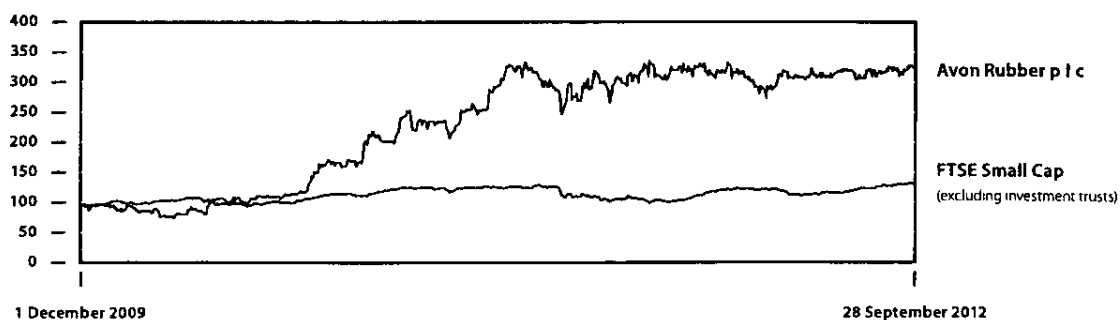
Total Return on Investment - 5 years



Total Return on Investment - 3 years



Total Return on Investment - 3 years



Shareholding guidelines

Under shareholding guidelines approved in 2004, executives participating in the Performance Share Plan during the year are required to build up and retain a shareholding in the Company. For Executive Directors the shareholding requirement is equivalent to 1.5 times base salary and for other executives the shareholding requirement is equivalent to 1.0 times base salary. The Executive Directors and senior executives are required to retain a portion of any awards that vest under the Performance Share Plan until their respective shareholding guideline is met.

In September 2011 the Remuneration Committee amended the shareholding guidelines so that for future awards the Executive Directors are obliged to build up and retain a shareholding equivalent to two times base salary, after which they are not required to retain any portion of future awards that vest.

Dilution

The Company reviews the awards of shares made under the various all employee and executive share plans in terms of their effect on dilution limits in any rolling 10-year period. In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 7.67% and 9.78% respectively based on the issued share capital at 30 September 2012. Under the 2010 Plan the 5% limit was increased to 10% and, last year, 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.

As at 30 September 2012, the number of shares committed under discretionary share-based incentive schemes since 30 September 2002 was 3,417,597. Deducting the shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trusts gives 2,355,193 shares which represents 7.67% dilution against the 10% discretionary plan dilution limit. As at 30 September 2012, the number of shares committed under all employee share-based incentive schemes since 30 September 2002 was 4,068,143. Deducting the shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trusts gives 3,005,739 shares which represents 9.78% 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 Performance Share Plan. Two trusts have been established, the second in March 2010 in connection with the new jointly owned equity awards. In September 2012 the Avon Rubber plc Employee Share Ownership Trust No. 1 purchased

90,000 shares in the market. At 30 September 2012 there were 1,400,642 shares held in the two Employee Share Ownership Trusts which will either be used to satisfy awards granted under the Plan to date, or in connection with awards to be made under the 2010 Plan. Of these, 1,144,444 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.

Share Incentive Plan

Shareholders approved the introduction of the Avon Rubber plc Share Incentive Plan (the SIP) at the annual general meeting 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 £125, a sum which is set by the Government. Both Mr Slabbert and Mr Lewis participate in the SIP at the maximum level.

Shareholders also approved the introduction of the Avon Rubber plc Employee Stock Purchase Plan (the ESPP) at the annual general meeting 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. At the conclusion of the offering period the accumulated funds are used to purchase the Company's shares at a discount. Neither Mr Slabbert or Mr Lewis are eligible to participate in the ESPP.

Remuneration Report

for the year ended 30 September 2012

Pensions and other benefits

The current Executive Directors (Mr PC Slabbert and Mr A G 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 8 years, no reduction would apply if Mr Slabbert retired on or after his 55th birthday. Thus, each year over an 8 year period the age at which Mr Slabbert can retire early, on an unreduced basis, reduces by 7.5 months.

During the year to 30 September 2012 Mr Slabbert has been a member of the money purchase section of the Plan (see below).

In line with Company policy which dates back to 2003 for new employees in the UK, any UK-based Executive Directors joining the Company are offered defined contribution arrangements.

Mr Lewis is therefore a member of the money purchase section of the Plan. 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 spouses' 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.

Mr Slabbert's total pension benefits were approaching £1.5m so in March 2012 he ceased making contributions into the money purchase section of the Plan to enable him to apply for fixed protection from HMRC to preserve the higher lifetime allowance of £1.8m. The Company continued to set aside pension contributions on his behalf for the remainder of the financial year. On 30 September 2012 these contributions remained held

by the Company on Mr Slabbert's behalf. Mr Slabbert remains covered by the death in service insurance notwithstanding that he is no longer an active member of the Plan.

Executive Directors' basic salaries are the only pensionable element of their remuneration packages. Executive Directors are entitled to participate in employee healthcare plans.

Neither of the Executive Directors is currently appointed as a non-executive director of any limited company outside the Group. The Remuneration Committee will establish a policy on the treatment of any fees received by Executive Directors in respect of such non-executive roles when required.

Contracts

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 and which otherwise expires on retirement, currently at age 60 for Mr Slabbert and age 65 for Mr Lewis. The Company may terminate the contract early without cause by making a payment in lieu of notice by monthly instalments of salary and benefits to a maximum of 12 months, with reductions for any amounts received from providing services to others during this period.

The Remuneration Committee may vary these terms if the particular circumstances surrounding the appointment of a new Executive Director demand it, but this would be exceptional and has never happened. 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 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
PC Slabbert	28 September 2009	10	12 months	12 months
A G Lewis	28 September 2009	24	12 months	12 months

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 advice provided by Ernst & Young. Fee levels are reviewed from time to time. The Chairman and the Non-Executive Directors do not participate in any Board discussions or vote on their own remuneration, nor do they participate in any incentive or benefit plans.

The Chairman and the Non-Executive Directors each have a letter of appointment which specifies an initial period of appointment. The initial period for Mrs Pirie was three years and this was extended for a further three years on 1 March 2008 and on a rolling annual basis on 1 March 2011. Sir Richard Needham's initial period of three years expired on 26 January 2010 and was extended on a rolling annual basis. As announced to shareholders last year, Sir Richard Needham will cease to be a Non-Executive Director following the annual general meeting on 7 February 2013. The initial period for Mr Evans was also three years and this was extended on a rolling annual basis on 31 May 2010.

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. There are no provisions for compensation payments on early termination in the Chairman's and the Non-Executive Directors' letters of appointment. The date of each appointment is set out below, together with the date of their last re-election.

	Date of initial appointment	Date of re-election
The Rt Hon Sir Richard Needham	26 January 2007	2 March 2010
DR Evans	1 June 2007	3 March 2011
S J Pirie OBE	1 March 2005	2 February 2012

Directors' interests

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

	At the end of the year	At the beginning of the year
The Rt Hon Sir Richard Needham	65,900	65,900
S J Pirie OBE	82,000	82,000
DR Evans	40,000	40,000
PC Slabbert	140,097	22,833
AG Lewis	75,122	-

Interests in jointly owned shares held by the directors under Avon's Performance Share Plan are excluded from the above and detailed separately at page 54 of the Remuneration Report.

The only change in the interests set out above between 30 September 2012 and 21 November 2012 were the additional shares bought by Mr PC Slabbert and Mr AG Lewis under the Share Incentive Plan, which increased their total shareholdings to 140,178 and 75,203 respectively.

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

Remuneration Report

for the year ended 30 September 2012

Part 2. Details of remuneration (auditable information)

The following information has been audited by the Company's auditors PricewaterhouseCoopers LLP, as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Directors' emoluments

	Basic salary and fees £000	Other benefits* £000	Annual bonus** £000	Total 2012 £000	Total 2011 £000
Directors holding office throughout 2011 and 2012					
The Rt Hon Sir Richard Needham (Chairman to 2 February 2012)	73	-		73	70
D R Evans (Chairman)	81	-		81	45
A G Lewis	200	2	63	265	246
S J Pirie OBE (Non-Executive)	45			45	45
P C Slabbert (highest paid Director)	280	2	112	394	369
Total 2012	679	4	175	858	
Total 2011	557	4	214		775

*Other benefits relate to medical insurance

**The Remuneration Committee determined at its meeting on 20 November 2012 that the criteria for making an award under the annual bonus scheme had been met as follows

	P.C. Slabbert		A.G. Lewis	
	Actual	Max.	Actual	Max.
1. Financial Targets				
(a) Group profit budget achievement (Group PBITE)	0%	30%	0%	25%
(b) Profit growth on previous year (year on year PBITE growth)	4%	30%	3%	25%
(c) Group cash generation (ratio of operating cashflow to operating profit)	20%	20%	20%	20%
2. Personal Performance Target Rating	16%	20%	8%	10%
Total potential bonus as a percentage of basic salary	40%	100%	31%	80%

No Director waived emoluments in respect of the year ended 30 September 2012 (2011 nil)

Executive Directors' pensions

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

	PC Slabbert £
Additional accrued pension earned in year (including inflation)	3,255
Accrued pension as at 30 September 2012	65,858
Transfer value as at 30 September 2012	1,195,358
Accrued pension as at 30 September 2011	62,603
Transfer value as at 30 September 2011	944,132
Increase in transfer value	251,226
Increase in transfer value less Director's contributions	251,226
Additional accrued pension earned in year (excluding inflation of 5.0%)	-
Transfer value of increase in accrued pension (net of Director's contributions)	-

The age at which Mr PC Slabbert may take his pension unreduced was reduced by 5/8ths of a year over the year to 30 September 2012.

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 £21,479 (2011 £35,300). Company contributions into the Plan on Mr Slabbert's behalf ceased in March 2012 as his total pension benefits were approaching the standard lifetime allowance. At the year-end accrued contributions of £21,000 were held on Mr Slabbert's behalf.

In respect of Mr A G Lewis, company contributions to the money purchase section of the plan were £30,000 (2011 £24,300).

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

The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's 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 2012 was £308,306 (2011 £292,400).

Remuneration Report

for the year ended 30 September 2012

Performance Share Plan 2002 and 2010 (the 2002 Scheme and the 2010 Scheme)

For grants of options or conditional awards made to date pursuant to the 2002 Scheme, and grants of joint ownership awards, options or conditional awards made to date pursuant to the 2010 Scheme, 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 Cycle granted in 2011/12 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.

In September 2011 the Remuneration Committee decided that the performance condition should be changed to a twofold test based on TSR performance and Earnings Per Share (EPS), bringing future awards in line with market practice and thereby encouraging 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 Committee has 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.

A list of the number of shares under option granted at nil cost, to Executive Directors and senior employees, prior to 30 September 2012 is set out below.

2012	Granted 2008/9 (for the qualifying period ending 30 Sept 2011)**	Granted 2009/10 (for the qualifying period ending 30 Sept 2012)	Granted 2010/11 (for the qualifying period ending 30 Sept 2013)	Total option awards outstanding at 30 Sept 2011	Vested during the year	Granted 2011/12 (for the qualifying period ending 30 Sept 2014)	Lapsed during the year	Awards outstanding at 30 Sept 2012
PC Slabbert	460,714	230,126	123,424	814,264	(460,714)	87,500	-	441,050
A G Lewis	222,857	112,971	68,067	403,895	(222,857)	50,000	-	231,038
Other senior employees****	541,776	336,973	276,804	1,155,553	(541,776)	222,861	(12,855)	823,783
	1,225,347	680,070	468,295	2,373,712	(1,225,347)	360,361	(12,855)	1,495,871

2011	Granted 2007/8 (for the qualifying period ending 30 Sept 2010)*	Granted 2008/9 (for the qualifying period ending 30 Sept 2011)**	Granted 2009/10 (for the qualifying period ending 30 Sept 2012)	Total option awards outstanding at 30 Sept 2010	Granted 2010/11 (for the qualifying period ending 30 Sept 2013)	Lapsed during the year	Awards outstanding at 30 Sept 2011
PC Slabbert	-	460,714	230,126	690,840	123,424	-	814,264
A G Lewis	-	222,857	112,971	335,828	68,067	-	403,895
Former Directors***	26,302	-	-	26,302	-	(26,302)	-
Other senior employees****	27,223	541,776	336,973	905,972	276,804	(27,223)	1,155,553
	53,525	1,225,347	680,070	1,958,942	468,295	(53,525)	2,373,712

The weighted average remaining life of the awards outstanding at the year-end is 1.0 year (2011: 0.8 years)

- * As explained in last year's report the awards granted under the 2007/8 cycle did not vest
- ** These awards were reduced to 69% of entitlement to remain within the 5% dilution limit previously contained in the Plan rules. The award vested in full on the basis that the TSR over the three years from 1 October 2008 to 30 September 2011 was significantly ahead of the upper quartile of the comparator group.
- *** This includes awards granted to Mr T K P Stead (stood down 21 April 2008, resigned as a Director on 8 September 2008 and retired on 15 May 2009). All these awards were pro-rated and did not vest as described above.
- **** This figure includes 284,550 (2011: 334,440) in respect of key management as defined in note 8 of the financial statements.

In relation to the awards outstanding at 30 September 2012, deferred loan payments will become due to the Company for the awards granted in 2009/10, 2010/11 and 2011/12 as follows: P C Slabbert £37,917 (2011: £31,868), A G Lewis £20,090 (2011: £16,641), other senior UK employees £41,410 (2011: £33,977)

The market price at the award date for the 2011/12 award was 300.0 pence, for the 2010/11 award it was 196.0 pence, for the 2009/10 award it was 81.5 pence, for the 2008/9 award it was 32.2 pence and for the 2007/8 award it was 165.0 pence

The market price at the vesting date for the 2008/9 award was 310.0 pence

Share Incentive Plan

As at 30 September 2012 Mr P C Slabbert and Mr A G Lewis had each purchased 122 shares pursuant to the Share Incentive Plan

Sharesave option schemes

As at 30 September 2012 none of the Directors had outstanding options relating to sharesave option schemes (2011: nil). As at 30 September 2011 no other employees held options relating to sharesave option schemes and the remaining sharesave option scheme (the Avon Rubber plc Sharesave Option Scheme 2002) terminated on its 10 year anniversary on 4 February 2012

As at 30 September 2012, the market price of Avon Rubber plc shares was £3.12 (2011: £2.85). During the year the highest and lowest market prices were £3.25 and £2.64 respectively

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

Sir Richard Needham

Chairman of the Remuneration Committee
21 November 2012

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Revenue	1	106,636	107,600
Cost of sales		(75,803)	(77,892)
Gross profit		30,833	29,708
Distribution costs		(5,013)	(4,832)
Administrative expenses		(14,199)	(13,740)
Operating profit	1	11,621	11,136
Operating profit is analysed as:			
Before depreciation and amortisation		16,358	15,723
Depreciation and amortisation	10,11	(4,737)	(4,587)
Operating profit		11,621	11,136
Finance income	3	7	5
Finance costs	3	(249)	(486)
Other finance expense	3	(374)	(443)
Profit before taxation	4	11,005	10,212
Taxation	5	(3,176)	(3,094)
Profit for the year		7,829	7,118
Other comprehensive (expense)/income			
Actuarial (loss)/gain recognised in retirement benefit scheme	9	(3,098)	5,738
Net exchange differences offset in reserves		(917)	358
Other comprehensive (expense)/income for the year, net of taxation		(4,015)	6,096
Total comprehensive income for the year		3,814	13,214
Earnings per share	7		
Basic		26 9p	25 2p
Diluted		25 4p	23 3p

Consolidated Balance Sheet

at 30 September 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	10	13,281	10,469
Property, plant and equipment	11	17,878	16,718
Retirement benefit assets	9	-	280
		31,159	27,467
Current assets			
Inventories	12	15,449	10,679
Trade and other receivables	13	14,616	18,461
Derivative financial instruments	18	121	-
Cash and cash equivalents	14	176	559
		30,362	29,699
Liabilities			
Current liabilities			
Borrowings	16	-	392
Trade and other payables	15	15,748	15,220
Derivative financial instruments	18	-	166
Provisions for liabilities and charges	17	616	567
Current tax liabilities		5,160	2,040
		21,524	18,385
Net current assets		8,838	11,314
Non-current liabilities			
Borrowings	16	8,901	11,983
Deferred tax liabilities	5	2,584	2,985
Retirement benefit obligations	9	2,238	-
Provisions for liabilities and charges	17	2,377	2,641
		16,100	17,609
Net assets		23,897	21,172
Shareholders' equity			
Ordinary shares	19	30,723	30,723
Share premium account	19	34,708	34,708
Capital redemption reserve		500	500
Translation reserve		(552)	365
Accumulated losses		(41,482)	(45,124)
Total equity		23,897	21,172

These financial statements were approved by the Board on 21 November 2012 and were signed on its behalf by

Peter Slabbert

Andrew Lewis

Consolidated Cash Flow Statement

for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from continuing operations	20	14,726	11,974
Cash used in discontinued operations	20	-	(1,557)
Cash generated from operations	20	14,726	10,417
Finance income received		7	5
Finance costs paid		(300)	(476)
Retirement benefit deficit recovery contributions		(625)	(869)
Tax paid		(262)	(1,542)
Net cash generated from operating activities		13,546	7,535
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4	17
Purchase of property, plant and equipment		(4,815)	(2,406)
Capitalised development costs		(4,697)	(3,266)
Net cash used in investing activities		(9,508)	(5,655)
Cash flows from financing activities			
Net movements in loans	21	(2,808)	(1,334)
Dividends paid to shareholders	6	(941)	(706)
Purchase of own shares	19	(279)	(250)
Net cash used in financing activities		(4,028)	(2,290)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		10	(410)
Cash, cash equivalents and bank overdrafts at beginning of the year		167	577
Effects of exchange rate changes		(1)	-
Cash, cash equivalents and bank overdrafts at end of the year	21	176	167

Consolidated Statement of Changes in Equity

for the year ended 30 September 2012

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 October 2010		30,723	34,708	507	(57,161)	8,777
Profit for the year		-	-	-	7,118	7,118
Unrealised exchange differences on overseas investments		-	-	358	-	358
Actuarial gain recognised in retirement benefit scheme	9	-	-	-	5,738	5,738
Total comprehensive income for the year		-	-	358	12,856	13,214
Dividends paid	6	-	-	-	(706)	(706)
Purchase of shares by the employee benefit trust	19	-	-	-	(250)	(250)
Movement in respect of employee share schemes	23	-	-	-	137	137
At 30 September 2011		30,723	34,708	865	(45,124)	21,172
Profit for the year		-	-	-	7,829	7,829
Unrealised exchange differences on overseas investments		-	-	(917)	-	(917)
Actuarial loss recognised in retirement benefit scheme	9	-	-	-	(3,098)	(3,098)
Total comprehensive income for the year		-	-	(917)	4,731	3,814
Dividends paid	6	-	-	-	(941)	(941)
Purchase of shares by the employee benefit trust	19	-	-	-	(279)	(279)
Movement in respect of employee share schemes	23	-	-	-	131	131
At 30 September 2012		30,723	34,708	(52)	(41,482)	23,897

Other reserves consist of the capital redemption reserve of £500,000 (2011 £500,000) and the translation reserve of (£552,000) (2011 £365,000)

All movements in other reserves relate to the translation reserve

OVERVIEW OF THE YEAR

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

SHAREHOLDER INFORMATION

Accounting Policies and Critical Accounting Judgements

for the year ended 30 September 2012

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 Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared 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 2012

The following standards, amendments and interpretations have been adopted for the year ended 30 September 2012:

- IAS 24 (revised), 'Related party disclosures'
- Amendment to IFRIC 14, 'The limit on a defined benefit asset, minimum funding requirements and their interaction'
- Annual improvements 2010

The adoption of these amendments has not had a material impact on the financial statements.

The following standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 October 2011 but are not relevant to the Group's operations, or have no significant impact:

- Amendment to IFRS 1, 'First time adoption' on fixed dates and hyperinflation
- Amendment to IFRS 7, 'Financial Instruments Disclosures – Transfers of Financial Assets'

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2011, have not been adopted early and are not expected to have a significant impact on the Group:

- IFRS 9, 'Financial Instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- Amendment to IAS 12, 'Income taxes'
- Amendment to IAS 1, 'Presentation of Financial Statements'
- Amendment to IAS 19, 'Employee benefits'

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 the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

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 presentational 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,
- income and expenses are translated at average rates,

and 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, which is usually when title passes or a separately identifiable phase of a contract or 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.

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. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. The scheme is now closed to new entrants and was closed to future accrual of benefit from 1 October 2009.

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

Accounting Policies and Critical Accounting Judgements continued

for the year ended 30 September 2012

non-marketing 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. 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 at least annually or 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 costs are included in intangible assets and amortised over their estimated lives.

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 rates used are

Freehold – 2%

Short leasehold property – over the period of the lease

Plant and machinery – 6% to 50%

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.

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 Company 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.

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.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost.

Accounting Policies and Critical Accounting Judgements continued

for the year ended 30 September 2012

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 scheme are carried out as determined by the trustees at intervals of not more than three years.

The pension cost under IAS 19 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 are disclosed in note 9 of the financial statements.

Inventory provisions

At each balance sheet date, each subsidiary evaluates the recoverability of inventories and records a 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 acquisitions, 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 10% and 15%.

Provisions

Provisions are made in respect of claims, and onerous contractual obligations and warranties based on the judgement of management taking into account the nature of the claim/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 2012

I 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 the UK and the USA.

Business segments

year ended 30 September 2012

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	74,586	32,050		106,636
Segment result before depreciation and amortisation	11,613	6,506	(1,761)	16,358
Depreciation of property, plant and equipment	(2,594)	(468)	(102)	(3,164)
Amortisation of intangibles	(1,516)	(55)	(2)	(1,573)
Segment result	7,503	5,983	(1,865)	11,621
Finance income			7	7
Finance costs			(249)	(249)
Other finance expense			(374)	(374)
Profit before taxation	7,503	5,983	(2,481)	11,005
Taxation			(3,176)	(3,176)
Profit for the year	7,503	5,983	(5,657)	7,829
Segment assets	49,191	9,760	2,570	61,521
Segment liabilities	9,781	2,681	25,162	37,624
Other segment items				
Capital expenditure				
- intangible assets	3,877	225	595	4,697
- property, plant and equipment	3,519	1,198	72	4,789

The Protection & Defence segment includes £45.9m (2011: £46.1m) 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 2012

I SEGMENT INFORMATION (CONTINUED)

year ended 30 September 2011

	Protection & Defence £ 000	Dairy £ 000	Unallocated £ 000	Group £ 000
Revenue	77,438	30,162		107,600
Segment result before depreciation and amortisation	11,630	5,911	(1,818)	15,723
Depreciation of property, plant and equipment	(2,396)	(387)	(33)	(2,816)
Amortisation of intangibles	(1,741)	(28)	(2)	(1,771)
Segment result	7,493	5,496	(1,853)	11,136
Finance income			5	5
Finance costs			(486)	(486)
Other finance expense			(443)	(443)
Profit before taxation	7,493	5,496	(2,777)	10,212
Taxation			(3,094)	(3,094)
Profit for the year	7,493	5,496	(5,871)	7,118
Segment assets	47,191	7,456	2,519	57,166
Segment liabilities	7,324	3,346	25,324	35,994
Other segment items				
Capital expenditure				
- intangible assets	3,310	41	-	3,351
- property, plant and equipment	1,602	828	26	2,456

Geographical segments by origin

year ended 30 September 2012

	UK £'000	USA £'000	Group £'000
Revenue	16,318	90,318	106,636
Non-current assets	3,710	27,449	31,159

year ended 30 September 2011

	UK £'000	USA £'000	Group £'000
Revenue	14,847	92,753	107,600
Non-current assets	2,611	24,856	27,467

2 EXPENSES BY NATURE

	2012 £'000	2011 £'000
Changes in inventories of finished goods and work in progress	(740)	600
Raw materials and consumables used	45,389	48,839
Employee benefit expense (note 8)	30,711	29,627
Depreciation and amortisation charges (notes 10 and 11)	4,737	4,587
Transportation expenses	1,650	1,578
Operating lease payments	1,641	1,654
Travelling costs	2,072	1,860
Legal and professional fees	1,557	1,015
Other expenses	7,998	6,704
Total cost of sales, distribution costs and administrative expenses	95,015	96,464

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

3 FINANCE INCOME AND COSTS

	2012 £'000	2011 £'000
Interest payable on bank loans and overdrafts	(249)	(486)
Finance income	7	5
	(242)	(481)

	2012 £'000	2011 £'000
Interest cost UK defined benefit pension scheme (note 9)	(13,602)	(13,277)
Expected return on plan assets UK defined benefit pension scheme (note 9)	13,557	13,226
Provisions Unwinding of discount (note 17)	(329)	(392)
	(374)	(443)

4 PROFIT BEFORE TAXATION

	2012 £'000	2011 £'000
Profit before taxation is shown after crediting.		
Rent receivable	101	109
Gain on foreign exchange	-	90
Profit on disposal of property, plant and equipment	-	1
Writeback of impairment of inventories	-	83
Writeback of impairment of trade receivables	-	15
and after charging.		
Loss on foreign exchange	191	-
Loss on disposal of property, plant and equipment	57	-
Employee benefits	30,580	29,490
Charge relating to employee share schemes	131	137
Depreciation on property, plant and equipment (owned assets)	3,164	2,816
Repairs and maintenance of property, plant and equipment	674	730
Amortisation of intangibles	1,573	1,771
Research and development	2,291	1,723
Impairment of inventories	241	-
Impairment of trade receivables	113	-
Operating leases		
– plant and machinery	150	124
– property	1,491	1,530
Services provided to the Group (including its overseas subsidiaries) by the Group'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	82	83
	112	113
Other services relating to taxation	111	234
Compensation received regarding taxation services	-	(313)
Other business advisory services	28	74
Total fees	251	108

During 2011 £313,000 was received from the Group's auditors in relation to a claim for compensation regarding taxation services provided in the US for previous years

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

5 TAXATION

	2012 £'000	2011 £'000
Overseas current tax	3,366	2,268
Overseas adjustment in respect of previous periods	172	365
Total current tax	3,538	2,633
Deferred tax – current year	(190)	267
Deferred tax – adjustment in respect of previous periods	(172)	194
Total deferred tax	(362)	461
Total tax charge	3,176	3,094

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

	2012 £'000	2011 £'000
Profit before taxation	11,005	10,212
Profit before taxation at the average standard rate of 25% (2011: 27%)	2,751	2,757
Permanent differences	(1,101)	(573)
Losses for which no deferred taxation asset was recognised	1,111	(64)
Adjustments to taxation charge in respect of previous periods	-	559
Differences in overseas tax rates	415	415
Tax charge	3,176	3,094

The income tax charged directly to equity during the year was £nil (2011: £nil)

5 TAXATION (CONTINUED)

Deferred tax liabilities

	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 October 2010	871	1,646	2,517
Charged against/(credited to) profit for the year	1,953	(1,492)	461
Exchange differences	7	-	7
At 30 September 2011	2,831	154	2,985
(Credited to)/charged against profit for the year	746	(1,108)	(362)
Exchange differences	(39)	-	(39)
At 30 September 2012	3,538	(954)	2,584

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

A number of changes to the UK corporation tax system were announced in the March 2012 Budget Statement. The Finance Bill 2012, which was substantively enacted on 3 July 2012, includes legislation reducing the main rate of corporation tax to 23% from 1 April 2013.

The change in rate had no material impact on the Group's deferred tax assets and liabilities.

A further reduction to the main rate is proposed to reduce the rate to 22% by 1 April 2014. The change 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 from 25% to 22% is not expected to have any material impact on the Group's deferred tax assets and liabilities as the Group's deferred tax liabilities are held in the USA.

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:

	2012 £'000	2011 £'000
Losses	(3,837)	(4,990)
Accelerated capital allowances	(1,676)	(1,727)
Retirement benefit obligations	(515)	-
Other	(1,230)	(1,966)
	(7,258)	(8,683)

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

6 DIVIDENDS

On 2 February 2012, the shareholders approved a final dividend of 2.0p per qualifying ordinary share in respect of the year ended 30 September 2011. This was paid on 9 March 2012 absorbing £588,000 of shareholders' funds.

On 26 April 2012, the Board of Directors approved an interim dividend of 1.2p per qualifying ordinary share in respect of the year ended 30 September 2012. This was paid on 7 September 2012 absorbing £353,000 of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.4p per qualifying ordinary share in respect of the year ended 30 September 2012, which will absorb an estimated £704,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 15 March 2013 to shareholders on the register at the close of business on 15 February 2013. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

7 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 54). Adjusted earnings per share removes the effect of the amortisation of intangible assets.

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

	2012	2011
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	29,151	28,270
Potentially dilutive shares (weighted average) (thousands)	1,706	2,320
Fully diluted number of ordinary shares (weighted average) (thousands)	30,857	30,590

	2012 £'000	2012 Basic eps pence	2012 Diluted eps pence	2011 £'000	2011 Basic eps pence	2011 Diluted eps pence
Profit attributable to equity shareholders of the Company	7,829	26.9	25.4	7,118	25.2	23.3
Amortisation of intangible assets	1,573			1,771		
Profit excluding amortisation of intangible assets	9,402	32.3	30.5	8,889	31.4	29.1

8 EMPLOYEES

The total remuneration and associated costs during the year were

	2012 £'000	2011 £'000
Wages and salaries	23,765	22,982
Social security costs	2,378	2,277
Other pension costs	1,267	1,493
USA healthcare costs	3,170	2,738
Share award costs (note 23)	131	137
	30,711	29,627

Detailed disclosures of Directors' remuneration and share options are given on pages 42 to 55

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

	2012 Number	2011 Number
By business segment		
Protection & Defence	531	572
Dairy	176	168
Other	11	10
	718	750

At the end of the financial year the total number of employees in the Group was 746 (2011 679)

	2012 £'000	2011 £'000
Key management compensation		
Salaries and other employee benefits	1,131	1,076
Post employment benefits	99	79
Share award costs	83	89
	1,313	1,244

The key management compensation above includes the Executive Directors plus three (2011 three) others who were members of the Group Executive during the year

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

9 PENSIONS AND OTHER RETIREMENT BENEFITS

Retirement benefit assets and liabilities can be analysed as follows

	2012 £'000	2011 £'000
Pension (liability)/asset	(2,238)	280

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 scheme was closed to future accrual of benefit on 1 October 2009. 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 2011 when the market value of the plan's assets was £269.3m. The actuarial value of those assets represented 98.4% of the value of the benefits which had accrued to members, after allowing for future increases in pensions.

During the year the Company made payments to the fund of £625,000 (2011: £869,000) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit recovery plan agreed following the 31 March 2011 actuarial valuation, the Company will make deficit recovery payments in 2013 of £400,000 in addition to £175,000 towards scheme expenses.

An updated actuarial valuation for IAS 19 purposes was carried out by an independent actuary at 30 September 2012 using the projected unit method.

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

	2012 % p a	2011 % p a
Inflation (RPI)	2.50	3.10
Inflation (CPI)	1.50	2.20
Pension increases post August 2005	1.90	2.10
Pension increases pre August 2005	2.50	3.00
Discount rate for scheme liabilities	4.55	5.00

The scheme actuary estimates a 0.1% change in the discount rate would change the value of scheme liabilities by approximately 1.5% (2011: 1.5%).

9 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

	2012	2011
Male	22.1	22.1
Female	24.2	24.2

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows

	2012	2011
Male	23.6	23.5
Female	25.8	25.8

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

	Long-term rate of return expected at 30 Sept 2012 % p.a.	Value at 30 Sept 2012 £'000	Long-term rate of return expected at 30 Sept 2011 % p.a.	Value at 30 Sept 2011 £'000
Equities	7.95	118,882	7.90	115,647
Liability driven investments	2.70	80,404	3.30	160,806
Corporate bonds	4.55	31,121	-	-
Other (including cash)	2.70	51,898	3.30	2,658
Average expected long term rate of return/total fair value of assets	5.11*	282,305	5.61*	279,111

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 scheme's liabilities

*Avon Rubber employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan as at 30 September 2012.

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

9 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Reconciliation of funded status to balance sheet

	Value at 30 Sept 2012 £'000	Value at 30 Sept 2011 £'000
Fair value of plan assets	282,305	279,111
Present value of funded defined benefit obligations	(284,543)	(278,831)
(Liability)/asset recognised on the balance sheet	(2,238)	280

Amounts charged to profit before taxation in respect of post retirement benefits

	2012 £'000	2011 £'000
Interest cost	13,602	13,277
Expected return on plan assets	(13,557)	(13,226)
Total charged to profit before taxation	45	51

As the plan is closed to future accrual, the total charge is included in other finance expense

Changes to the present value of the defined benefit obligation during the year

	2012 £'000	2011 £'000
Opening defined benefit obligation	278,831	276,989
Interest cost	13,602	13,277
Actuarial losses on plan liabilities*	5,662	2,020
Net benefits paid out	(13,552)	(13,455)
Closing defined benefit obligation	284,543	278,831

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year

	2012 £'000	2011 £'000
Opening fair value of plan assets	279,111	270,713
Expected return on plan assets	13,557	13,226
Actuarial gains on plan assets	2,564	7,758
Contributions by the employer	625	869
Net benefits paid out	(13,552)	(13,455)
Closing fair value of plan assets	282,305	279,111

9 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Actual return on plan assets

	2012 £'000	2011 £'000
Expected return on plan assets	13,557	13,226
Actuarial gain on plan assets	2,564	7,758
Actual return on plan assets	16,121	20,984

Amounts recognised as other comprehensive income

	2012 £'000	2011 £'000
Total actuarial (losses)/gains recognised as other comprehensive income	(3,098)	5,738
Cumulative amount of actuarial gains recognised as other comprehensive income	6,442	9,540

History of asset values, defined benefit obligation, (deficit)/surplus in scheme and experience gains and (losses)

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of plan assets	282,305	279,111	270,713	253,408	261,020
Defined benefit obligation	(284,543)	(278,831)	(276,989)	(261,785)	(217,621)
(Deficit)/surplus in plan	(2,238)	280	(6,276)	(8,377)	43,399
	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Experience gains/(losses) on plan assets	2,564	7,758	18,696	(10,864)	3,949
Experience (losses)/gains on plan liabilities*	(4,864)	4,357	(6,189)	(1,917)	(213)

*This item consists of (losses)/gains in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used

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 2012 was £321,000 (2011: £309,000)

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

IO INTANGIBLE ASSETS

	Development expenditure £'000	Computer Software £'000	Total £'000
At 1 October 2010			
Cost	14,849	1,197	16,046
Accumulated amortisation and impairment	(6,201)	(1,051)	(7,252)
Net book amount	8,648	146	8,794
Year ended 30 September 2011			
Opening net book amount	8,648	146	8,794
Exchange differences	90	5	95
Additions	3,199	152	3,351
Amortisation	(1,693)	(78)	(1,771)
Closing net book amount	10,244	225	10,469
At 30 September 2011			
Cost	18,147	1,268	19,415
Accumulated amortisation and impairment	(7,903)	(1,043)	(8,946)
Net book amount	10,244	225	10,469
Year ended 30 September 2012			
Opening net book amount	10,244	225	10,469
Exchange differences	(306)	(6)	(312)
Additions	4,205	492	4,697
Amortisation	(1,501)	(72)	(1,573)
Closing net book amount	12,642	639	13,281
At 30 September 2012			
Cost	21,778	1,736	23,514
Accumulated amortisation and impairment	(9,136)	(1,097)	(10,233)
Net book amount	12,642	639	13,281

Development expenditure is amortised over a period between 5 and 15 years

Computer software is amortised over a period between 3 and 4 years

The remaining useful economic life of the development expenditure is between 5 and 12 years

II PROPERTY, PLANT AND EQUIPMENT

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	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2010				
Cost	599	230	33,191	34,020
Accumulated depreciation and impairment	(102)	(85)	(16,865)	(17,052)
Net book amount	497	145	16,326	16,968
Year ended 30 September 2011				
Opening net book amount	497	145	16,326	16,968
Exchange differences	7	1	118	126
Additions	495	11	1,950	2,456
Reclassifications	-	(13)	13	-
Disposals	-	-	(16)	(16)
Depreciation charge	(25)	(28)	(2,763)	(2,816)
Closing net book amount	974	116	15,628	16,718
At 30 September 2011				
Cost	1,102	352	34,723	36,177
Accumulated depreciation and impairment	(128)	(236)	(19,095)	(19,459)
Net book amount	974	116	15,628	16,718
Year ended 30 September 2012				
Opening net book amount	974	116	15,628	16,718
Exchange differences	(32)	(3)	(369)	(404)
Additions	318	85	4,386	4,789
Disposals	-	-	(61)	(61)
Depreciation charge	(133)	(26)	(3,005)	(3,164)
Closing net book amount	1,127	172	16,579	17,878
At 30 September 2012				
Cost	1,382	425	38,128	39,935
Accumulated depreciation and impairment	(255)	(253)	(21,549)	(22,057)
Net book amount	1,127	172	16,579	17,878

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12 INVENTORIES

	2012 £'000	2011 £'000
Raw materials	7,814	5,703
Work in progress	3,207	2,347
Finished goods	4,428	2,629
	15,449	10,679

Provisions for inventory write downs were £1,582,000 (2011 £1,976,000)

The cost of inventories recognised as an expense and included in cost of sales amounted to £44,649,000 (2011 £49,439,000)

13 TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Trade receivables	10,238	16,728
Less provision for impairment of receivables	(381)	(278)
Trade receivables – net	9,857	16,450
Prepayments	1,242	689
Other receivables	3,517	1,322
	14,616	18,461

Other receivables include £956,000 (2011 £956,000) in respect of rent deposits relating to the Company's premises in Melksham, Wiltshire, UK
The remaining balance comprises sundry receivables including accrued income

Management considers the carrying value of trade and other receivables approximates to the fair value

Movements on the Group provision for impairment of receivables are as follows:

	2012 £'000	2011 £'000
At 1 October	278	305
Provision for/(writeback of) impairment of receivables	113	(15)
Receivables written off during the year as uncollectable	(10)	(12)
At 30 September	381	278

The creation and release of provision for impaired receivables have been included in 'other expenses' in the Expenses by Nature note (note 2)

14 CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000
Cash at bank and in hand	176	559

Cash at bank and in hand balances are denominated in a number of foreign currencies and earn interest based on national rates

15 TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Trade payables	5,060	4,581
Other taxation and social security	241	225
Other payables	2,418	2,251
Accruals	8,029	8,163
	15,748	15,220

Other payables comprise sundry items which are not individually significant for disclosure

16 BORROWINGS

	2012 £'000	2011 £'000
Current		
Bank overdraft	-	392
Non-current		
Bank loans	8,901	11,983
Total borrowings	8,901	12,375
The maturity profile of the Group's borrowings at the year end was as follows		
In one year or less, or on demand	-	392
Between one and two years	423	-
Between two and five years	8,478	11,983
	8,901	12,375

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

16 BORROWINGS (CONTINUED)

The Group has the following undrawn committed facilities

	2012 £'000	2011 £'000
Expiring beyond one year	14,606	11,654
Total undrawn committed borrowing facilities	14,606	11,654
Bank loans and overdrafts utilised	8,901	12,375
Utilised in respect of guarantees	381	550
Total Group facilities	23,888	24,579

All facilities are at floating interest rates

On 30 September 2010 the Group agreed new bank facilities with Barclays Bank and Comerica Bank. The Barclays facility comprises a revolving credit facility of £5m and \$15.5m and expires on 30 March 2015. The Comerica facility is a \$15m revolving credit facility and expires on 30 September 2014. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 2% and include financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2012 and 2011.

The facilities are secured by charges over Group assets and certain shares in Group companies.

The effective interest rates at the balance sheet dates were as follows

	2012 Sterling %	2012 Dollar %	2011 Sterling %	2011 Dollar %
Bank loans	2.3	2.0	2.4	2.0
Bank overdrafts	-	-	2.4	-

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Property obligations £'000	Automotive disposal £'000	Total £'000
Balance at 1 October 2010	3,383	990	4,373
Unwinding of discount	392	-	392
Payments in the year	(567)	(990)	(1,557)
Balance at 30 September 2011	3,208	-	3,208
Unwinding of discount	329	-	329
Payments in the year	(544)	-	(544)
Balance at 30 September 2012	2,993	-	2,993

	2012 £'000	2011 £'000
Analysis of total provisions		
Non-current	2,377	2,641
Current	616	567
	2,993	3,208

Property obligations include an onerous lease provision of £2.1m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2013, and the remaining £1.5m over the following three 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 9 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.

The provision relating to certain committed production volumes following the disposal of Automotive was fully utilised in 2011.

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

18 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, goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secure claim.

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

	2012 £'000	2011 £'000
Carrying amount		
Trade receivables	9,857	16,450
Other receivables	3,517	1,322
Cash and cash equivalents	176	559
Forward exchange contracts used for hedging		
- Assets	121	4
- Liabilities	-	(170)
	13,671	18,165

The maximum exposure to credit risk for trade receivables at the reporting date by currency was

	2012 £'000	2011 £'000
Carrying amount of trade receivables		
Sterling	2,375	1,308
US dollar	6,171	14,599
Euro	1,140	543
Other currencies	171	-
	9,857	16,450

18 FINANCIAL INSTRUMENTS (CONTINUED)

Provisions against trade receivables

The ageing of trade receivables and associated provision for impairment at the reporting date was

	Gross 2012 £'000	Provision 2012 £'000	Net 2012 £'000	Gross 2011 £'000	Provision 2011 £'000	Net 2011 £'000
Not past due	8,707	(55)	8,652	15,275	(50)	15,225
Past due 0-30 days	898	(39)	859	618	(67)	551
Past due 31-60 days	202	(52)	150	593	(46)	547
Past due 61-90 days	152	(67)	85	152	(44)	108
Past due more than 91 days	279	(168)	111	90	(71)	19
	10,238	(381)	9,857	16,728	(278)	16,450

The total past due receivables, net of provisions is £1,205,000 (2011 £1,225,000)

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 facility to meet foreseeable operational expenses and at the year end had facilities of £23.9m (2011 £24.6m).

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 2012						
Bank overdraft						
Secured bank loans	8,901	9,410	206	629	8,575	-
Trade and other payables	15,507	15,507	15,507	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	5,016	5,016	-	-	-
- Inflow	(121)	-	-	-	-	-
	24,287	29,933	20,729	629	8,575	-

Notes to the Group Financial Statements continued

for the year ended 30 September 2012

18 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 2011						
Bank overdraft	392	400	400	-	-	-
Secured bank loans	11,983	12,708	290	290	12,128	-
Trade and other payables	15,220	15,220	15,220	-	-	-
Forward exchange contracts used for hedging						
- Outflow	170	7,572	7,572	-	-	-
- Inflow	(4)	-	-	-	-	-
	27,761	35,900	23,482	290	12,128	-

(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 2012 was a £121,000 asset (2011: a £166,000 liability) comprising an asset of £121,000 (2011: £4,000) and a liability of nil (2011: £170,000).

All forward exchange contracts in place at 30 September 2012 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 £378,000 (2011: £361,000) impact on the Group's current year profit before interest and tax and a £274,000 (2011: £264,000) impact on the Group's profit after tax. The method of estimation, which has been applied consistently, involves assessing the translation impact of US dollar and euro cash flows.

The following significant exchange rates applied during year:

	Average rate 2012	Closing rate 2012	Average rate 2011	Closing rate 2011
US dollar	1.576	1.615	1.600	1.558
Euro	1.215	1.255	1.156	1.161

18 FINANCIAL INSTRUMENTS (CONTINUED)

(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 and with net debt of £8.7m (2011: £11.8m) a 1% movement in interest rates would impact the interest costs by £87,000 (2011: £118,000).

The floating rate financial liabilities comprise 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.

Notes to the Group Financial Statements continued

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18 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 net debt has been managed carefully and in conjunction with an increased market capitalisation has positively impacted the gearing ratio in 2012 as shown below

The Group's net debt at the balance sheet date was

	2012 £'000	2011 £'000
Total borrowings	8,901	11,983
Cash and cash equivalents	(176)	(167)
Group net debt	8,725	11,816
Market capitalisation of the Group at 30 September	95,857	87,561
Gearing ratio	8.3%	11.9%

18 FINANCIAL INSTRUMENTS (CONTINUED)

(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 2012 £'000	Fair value 2012 £'000	Carrying amount 2011 £'000	Fair value 2011 £'000
Trade receivables	9,857	9,857	16,450	16,450
Other receivables	3,517	3,517	1,322	1,322
Cash and cash equivalents	176	176	559	559
Forward exchange contracts				
- Assets	121	121	4	4
- Liabilities	-	-	(170)	(170)
Secured loans	(8,901)	(8,901)	(11,983)	(11,983)
Trade and other payables	(15,507)	(15,507)	(15,220)	(15,220)
	(10,737)	(10,737)	(9,038)	(9,038)

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.

Notes to the Group Financial Statements continued

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19 SHARE CAPITAL

	2012 No of shares	2012 Ordinary shares £'000	2012 Share premium £'000	2011 No of shares	2011 Ordinary shares £'000	2011 Share premium £'000
Called up, allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	30,723,292	30,723	34,708	30,723,292	30,723	34,708
At the end of the year	30,723,292	30,723	34,708	30,723,292	30,723	34,708

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on pages 42-55

Ordinary shareholders are entitled to receive dividends and are entitled to vote at meetings of the Company

At 30 September 2012 1,400,642 (2011 2,537,681) ordinary shares were held by a trust in respect of obligations under the 2002 Performance Share Plan and 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 2012 was £4,370,000 (2011 £7,232,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During the year the trust acquired 90,000 (2011 100,000) shares at a cost of £279,000 (2011 £250,000). 1,225,347 shares were used to satisfy awards following the vesting of shares relating to the 2002 Performance Share Plan.

20 CASH GENERATED FROM OPERATIONS

	2012 £'000	2011 £'000
Continuing operations		
Profit for the financial year	7,829	7,118
Adjustments for		
Taxation	3,176	3,094
Depreciation	3,164	2,816
Amortisation of intangible assets	1,573	1,771
Finance income	(7)	(5)
Finance costs	249	486
Other finance expense	374	443
Loss/(profit) on disposal of property, plant and equipment	57	(1)
Movement in respect of employee share scheme	131	137
(Increase)/decrease in inventories	(5,259)	1,001
Decrease/(increase) in receivables	3,352	(3,543)
Increase/(decrease) in payables and provisions	87	(1,343)
Cash generated from continuing operations	14,726	11,974
Discontinued operations		
Decrease in payables and provisions	-	(1,557)
Cash used in discontinued operations	-	(1,557)
Cash generated from operations	14,726	10,417

Cash flows relating to the discontinued operations are as follows

	2012 £'000	2011 £'000
Cash flows from operating activities	-	(1,557)
Cash used in discontinued operations	-	(1,557)

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21 ANALYSIS OF NET DEBT

This note sets out the calculation of net debt, a measure considered important in explaining our financial position

	At 1 Oct 2011 £'000	Cash flow £'000	Exchange movements £'000	At 30 Sept 2012 £'000
Cash at bank and in hand	559	(382)	(1)	176
Overdrafts	(392)	392	-	-
Net cash and cash equivalents	167	10	(1)	176
Debt due in more than 1 year	(11,983)	2,808	274	(8,901)
	(11,816)	2,818	273	(8,725)

22 OTHER FINANCIAL COMMITMENTS

	2012 £'000	2011 £'000
Capital expenditure committed	608	1,021

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

	2012 Land and buildings £'000	2012 Other assets £'000	2011 Land and buildings £'000	2011 Other assets £'000
Within one year	2,031	146	2,054	76
Between 1 and 5 years	6,306	156	7,635	216
Later than 5 years	7,243	-	8,144	-
	15,580	302	17,833	292

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

23 SHARE BASED PAYMENTS

The Group operates an equity settled share based performance share plan (PSP). Details of the Scheme, awards granted and options outstanding are set out in the remuneration report on page 54 and are incorporated by reference into these financial statements. The charge against profit of £131,000 (2011: £137,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2012 PSP	2011 PSP
Weighted average fair value (£)	0.28	0.40
Key assumptions used		
Weighted average share price (£)	3.00	1.90
Volatility (%) (estimated based on historic experience)	39	29
Risk-free interest rate (%)	2.47	1.11
Expected option term (yrs)	3.0	3.0
Dividend yield (%)	1.0	1.0

Volatility is estimated based on actual experience over the last three years.

24 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year. Key management compensation is disclosed in note 8.

Notes to the Group Financial Statements continued

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25 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 Ltd	China
Held by Group undertakings	
Avon Engineered Fabrications, Inc	USA
Avon Hi-Life, Inc	USA
Avon Protection Systems, Inc	USA
Avon Rubber & Plastics, Inc	USA
Avon-Ames Limited	UK
Avon International Safety Instruments, Inc	USA

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) which has 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 and Avon Rubber & Plastics, Inc. are investment holding companies

The activities of all of the other companies listed above are the manufacture and/or distribution of rubber and other polymer based products

A number of non-trading and small Group undertakings have been omitted, on the grounds of immateriality

All UK subsidiaries are exempt from the requirement to file audited accounts by virtue of section 479A of the Companies Act 2006

Independent Auditors' Report

Independent auditors' report to the members of Avon Rubber p.l.c.

We have audited the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Accounting Policies and Critical Accounting Judgements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 28 and 29, the Directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Annual Report 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

give a true and fair view of the state of the Group's affairs as at 30 September 2012 and of its profit and cash flows for the year

then ended,

have been properly prepared in accordance with 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion

the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review

the Directors' statement, set out on page 41, in relation to going concern,

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2012 and on the information in the Remuneration Report that is described as having been audited.

Mark Ellis

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

21 November 2012

Independent Auditors' Report continued for the year ended 30 September 2012

Independent auditors' report to the members of Avon Rubber p.l.c.

We have audited the Parent Company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2012 which comprise the Parent Company Balance Sheet, the Parent Company Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 28 and 29, the Directors are responsible for the preparation of the Parent Company 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 Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and 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 Parent 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Annual Report 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements

give a true and fair view of the state of the Company's affairs as at 30 September 2012,

- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and

the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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 Parent Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2012.

Mark Ellis

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 November 2012

Parent Company Balance Sheet

at 30 September 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed Assets					
Tangible assets	4		505		113
Investments	5		78,407		72,097
			78,912		72,210
Current assets - debtors	7	52,715		47,861	
Creditors - amounts falling due within one year	8	2,195		8,547	
Net current assets			50,520		39,314
Total assets less current liabilities			129,432		111,524
Creditors - amounts falling due after more than one year					
Borrowings	9	8,478		10,879	
Provisions for liabilities	10	2,993		3,208	
			11,471		14,087
Net assets			117,961		97,437
Capital and reserves					
Share capital	11		30,723		30,723
Share premium account	12		34,708		34,708
Capital redemption reserve	12		500		500
Profit and loss account	12		52,030		31,506
Total shareholders' funds	13		117,961		97,437

These financial statements were approved by the Board of Directors on 21 November 2012 and were signed on its behalf by

Peter Slabbert

Andrew Lewis

Parent Company Accounting Policies

for the year ended 30 September 2012

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, as amended and with all applicable accounting standards in the United Kingdom (UK GAAP) under the historical cost convention except for financial assets and liabilities (including derivative instruments) held at fair value through profit and loss.

As a consolidated statement of comprehensive income is published, a profit and loss statement for the parent company is omitted from the Company accounts by virtue of section 408 of the Companies Act 2006.

The Company is exempt under the terms of FRS1 (Revised 1996), 'Cash Flow Statements' from the requirement to 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 recognised 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 10% and 15% are used depending on the risk attached to the underlying asset.

Investment in subsidiary undertakings

Investment 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 operates a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Rubber plc and its Group undertakings in the UK employed prior to 31 January 2003. The scheme is now 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 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 rates varying between 6% and 50% per annum

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

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 2012

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 £21,613,000 (2011 £145,000).

The audit fee in respect of the parent company was £30,000 (2011 £30,000).

2 DIVIDENDS

On 2 February 2012, the shareholders approved a final dividend of 2.0p per qualifying ordinary share in respect of the year ended 30 September 2011. This was paid on 9 March 2012 absorbing £588,000 of shareholders' funds.

On 26 April 2012, the Board of Directors approved an interim dividend of 1.2p per qualifying ordinary share in respect of the year ended 30 September 2012. This was paid on 7 September 2012 absorbing £353,000 of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.4p per qualifying ordinary share in respect of the year ended 30 September 2012, which will absorb an estimated £704,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 15 March 2013 to shareholders on the register at the close of business on 15 February 2013. 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:

	2012 £'000	2011 £'000
Wages and salaries	1,278	1,228
Social security costs	304	338
Other pension costs	299	155
Share based payments	131	137
	2,012	1,858

Detailed disclosures of Directors' remuneration and share options are given on pages 42 to 55 in the Group accounts.

The average number of employees (including Executive Directors) during the year was 8 (2011: 8), all of whom were classified as administrative staff.

4 TANGIBLE ASSETS

	Plant and Machinery £'000
Cost	
At 1 October 2011	416
Additions at cost	489
At 30 September 2012	905
Accumulated depreciation	
At 1 October 2011	303
Charge for the year	97
At 30 September 2012	400
Net book amount at 30 September 2012	505
Net book amount at 30 September 2011	113

5 INVESTMENTS

	Investment in Subsidiaries 2012 £'000
Cost and net book value	
At 1 October 2011	72,097
Additions	10,018
Redemption of preference shares	(3,708)
At 30 September 2012	78,407

The investments consist of a 100% 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 Ltd	Trading company	China

Details of investments held by these subsidiaries are given in note 25 to the Group accounts on page 94

The additions relate to additional capital contributions to existing subsidiaries

Notes to the Parent Company Financial Statements *continued*

for the year ended 30 September 2012

6 OTHER FINANCIAL COMMITMENTS

	2012 £'000	2011 £'000
Capital expenditures committed	72	-

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

	2012 Land and buildings £'000	2011 Land and buildings £'000
For leases expiring		
Within 1 year	-	-
In 2-5 years	814	814
Over 5 years	153	153
	967	967

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

7 DEBTORS

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	51,054	46,334
Other debtors	976	961
Prepayments	685	566
	52,715	47,861

Other debtors include £956,000 (2011 £956,000) in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK. The remaining balance comprises sundry receivables which are not individually significant for disclosure.

8 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Bank overdrafts	303	266
Amounts due to Group undertakings	-	6,200
Other creditors	570	544
Accruals	1,322	1,537
	2,195	8,547

Notes to the Parent Company Financial Statements *continued*

for the year ended 30 September 2012

9 BORROWINGS

	2012 £'000	2011 £'000
Current		
Bank overdrafts	303	266
Non-current		
Bank loans	8,478	10,879
Total borrowings	8,781	11,145

The maturity profile of the Company's borrowings at the year end was as follows

	2012 £'000	2011 £'000
In 1 year or less or on demand	303	266
Between 1 and 2 years	-	-
Between 2 and 5 years	8,478	10,879
	8,781	11,145

The carrying amounts of the Company's borrowings are denominated in the following currencies

	2012 £'000	2011 £'000
Sterling	3,053	1,516
US dollars	5,728	9,629
	8,781	11,145

On 30 September 2010 the Company agreed new bank facilities with Barclays Bank. The facility comprises a revolving credit facility of £5m and \$15.5m and expires on 30 March 2015. The facility is priced on average at the appropriate currency LIBOR plus a margin of 2% and includes financial covenants which are measured on a quarterly basis. The Company was in compliance with its financial covenants during 2012 and 2011.

The facility is secured by charges over all group assets and certain shares in group companies.

IO PROVISIONS FOR LIABILITIES

	Property obligations £'000
Balance at 1 October 2010	3,383
Unwinding of discount	392
Payments in the year	(567)
Balance at 30 September 2011	3,208
Unwinding of discount	329
Payments in the year	(544)
Balance at 30 September 2012	2,993

	2012 £'000	2011 £'000
Analysis of provisions		
Non-current	2,377	2,641
Current	616	567
	2,993	3,208

Property obligations include an onerous lease provision of £2.1m in respect of unutilised space at the Company's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2013, and the remaining £1.5m over the following three years. Other property obligations relate to former premises of the Company which are subject to dilapidation risks and are expected to be utilised within the next 9 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.

II CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Called up, allotted and fully paid ordinary shares of £1 each		
30,723,292 (2011: 30,723,292) ordinary shares of £1 each	30,723	30,723

Notes to the Parent Company Financial Statements *continued*

for the year ended 30 September 2012

12 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Profit and Loss account £'000	Total £'000
At 1 October 2010	34,708	500	32,180	67,388
Retained loss for the year	-	-	(561)	(561)
Movement in respect of employee share schemes	-	-	(113)	(113)
At 30 September 2011	34,708	500	31,506	66,714
Retained profit for the year	-	-	20,672	20,672
Movement in respect of employee share schemes	-	-	(148)	(148)
At 30 September 2012	34,708	500	52,030	87,238

13 TOTAL SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
At the beginning of the year	97,437	98,111
Profit for the financial year attributable to equity shareholders	21,613	145
Dividends paid	(941)	(706)
Purchase of shares by the employee benefit trust	(279)	(250)
Movement in respect of employee share scheme	131	137
At 30 September	117,961	97,437

At 30 September 2012 1,400,642 (2011 2,537,681) ordinary shares were held by a trust in respect of obligations under the 2002 Performance Share Plan and 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 2012 was £4,370,000 (2011 £7,232,000). These shares are held at cost as treasury shares and deducted from shareholders' equity. During the year the trust acquired 90,000 (2011 100,000) shares at a cost of £279,000 (2011 £250,000).

14 SHARE BASED PAYMENTS

The Company operates an equity settled share based performance share plan (PSP). Details of the Scheme, awards granted and options outstanding are set out in the remuneration report on page 54. The charge against profit of £131,000 (2011 £137,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2012 PSP	2011 PSP
Weighted average fair value (£)	0.28	0.40
Key assumptions used		
Weighted average share price (£)	3.00	1.90
Volatility (%) (estimated based on historic experience)	39	29
Range of risk-free interest rate (%)	2.47	1.11
Range of expected option term (yrs)	3.0	3.0
Dividend yield (%)	1.0	1.0

Five Year Record

for the year ended 30 September 2012

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revenue	106,636	107,600	117,574	100,900	54,606
Operating profit/(loss)	11,621	11,136	9,255	5,509	(4,105)
Exceptional operating items	-	-	-	(2,535)	(8,481)
Operating profit/(loss) from continuing operations	11,621	11,136	9,255	2,974	(12,586)
Net interest and other finance (expense)/income	(616)	(924)	(2,121)	(1,112)	195
Profit/(loss) before taxation	11,005	10,212	7,134	1,862	(12,391)
Taxation	(3,176)	(3,094)	(2,808)	(2,004)	1,259
Profit/(loss) for the year from continuing operations	7,829	7,118	4,326	(142)	(11,132)
(Loss) for the year from discontinued operations	-	-	-	-	(8,337)
Profit/(loss) for the year	7,829	7,118	4,326	(142)	(19,469)
Profit attributable to non-controlling interest	-	-	-	41	6
Profit/(loss) attributable to equity shareholders	7,829	7,118	4,326	(183)	(19,475)
Ordinary dividends	(941)	(706)	-	-	(1,367)
Retained profit/(loss)	6,888	6,412	4,326	(183)	(20,842)
Intangible assets and property, plant and equipment	31,159	27,187	25,762	25,199	25,040
Net assets classified as held for sale	-	-	-	3,082	3,517
Working capital	9,278	11,714	9,628	5,273	5,201
Provisions	(2,993)	(3,208)	(4,373)	(6,649)	(5,568)
Pension (liability)/asset	(2,238)	280	(7,134)	(9,152)	42,640
Net deferred tax liability	(2,584)	(2,985)	(2,517)	(1,833)	(13,024)
Net borrowings	(8,725)	(11,816)	(12,589)	(13,656)	(15,139)
Net assets employed	23,897	21,172	8,777	2,264	42,667
Financed by					
Ordinary share capital	30,723	30,723	30,723	29,141	29,141
Reserves attributable to equity shareholders	(6,826)	(9,551)	(21,946)	(26,916)	12,963
Non-controlling interest in equity	-	-	-	39	563
Total equity	23,897	21,172	8,777	2,264	42,667
Basic earnings/(loss) per share	26.9p	25.2p	15.2p	(0.6)p	(68.4)p
Dividends per share	3.2p	2.5p	-	-	4.8p

2008 is as presented in the consolidated financial statements of that year

OVERVIEW OF THE YEAR

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

SHAREHOLDER INFORMATION

Notice of Annual General Meeting

for the year ended 30 September 2012

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 plc, 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 is hereby given that the annual general meeting ("AGM") of shareholders of Avon Rubber plc (the "Company") will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 7 February 2013 at 10.30 a.m. for the following purposes -

Ordinary Business

To consider and, if thought fit, pass resolutions 1- 7 as Ordinary Resolutions

Resolution 1

To receive the Company's accounts and reports of the Directors and the auditors for the year ended 30 September 2012

Resolution 2

To approve the Remuneration Report of the Directors (as set out on pages 42 to 55 of the Annual Report) for the year ended 30 September 2012

Resolution 3

To declare a final dividend of 2.4p per ordinary share as recommended by the Directors

Resolution 4

To re-appoint David Evans as Director who retires by rotation

Resolution 5

To re-appoint Richard Wood as Director who has been appointed since the last AGM

Resolution 6

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 7

To authorise the Directors to determine the auditors' remuneration

Special Business

To consider and if thought fit, pass resolution 8 as an Ordinary Resolution and resolutions 9 and 10 as Special Resolutions

Resolution 8

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 £10,241,097 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 24 March 2014 or, if earlier, the date of the annual general meeting of the Company in 2014 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 9

That, subject to the passing of Resolution 8, 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 8 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 £1,536,164, and
- (b) expire on 24 March 2014 or, if earlier, the date of the annual general meeting of the Company in 2014 (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 Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

Resolution 10

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 4,608,492,
- (b) the minimum price which may be paid for each share is 1p,

- (c) the maximum price which may be paid for a share is an amount equal to 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the 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
- (d) this authority shall expire on 24 March 2014 or, if earlier, the date of the annual general meeting of the Company in 2014 (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

By order of the Board

Miles Ingrey-Counter

Company Secretary
21 November 2012

Notice of Annual General Meeting continued

for the year ended 30 September 2012

Notes

- (1) Information regarding the annual general meeting 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 Registrars, 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 meeting, 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 Registrars, 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 meeting.

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. 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 RA10) 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 5 February 2013 (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 meeting.
- (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 meeting unless
- (i) answering the question would interfere unduly with the preparation for the meeting 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 meeting 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 Registrars, 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 Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 5 February 2013 at 10.30am.

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 Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated."

- (11) Biographical details of the Directors are shown on page 25 of the Annual Report
- (12) The issued share capital of the Company as at 21 November 2012 was 30,723,292 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 during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the meeting 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, and
- (iii) copies of the letters of appointment of the Non-Executive Directors of the Company

- (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 meeting

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

Notice of Annual General Meeting continued

for the year ended 30 September 2012

- (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
- (iii) 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
- (iv) 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
- (iv) 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 section 338 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 that meeting

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 must not be defamatory of any person, frivolous or vexatious

The Company is required to give notice of a resolution 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
- (i) 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
- (ii) 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
- (iii) 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) 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, and

- (ii) must be received by the Company not later than 6 weeks before the date of the meeting

Explanatory notes

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 2012. These are contained in the Company's 2012 Annual Report

Resolution 2 – Remuneration Report

The Company is required to ask shareholders to approve the Directors' Remuneration Report for the year ended 30 September 2012. This is contained on pages 42 to 55 of the Annual Report

Resolution 3 – 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 2012 of 2.4p will be paid

Resolutions 4&5 – Election and re-election of Directors

David Evans retires by rotation and, being eligible, offers himself for re-election

Richard Wood has been appointed as a Director (with effect from 1 December 2012) and in accordance with the Company's Articles, retires at this year's AGM and Resolution 5 proposes his reappointment. Sir Richard Needham will retire at the AGM and will not stand for re-election

Resolution 6&7 – Reappointment and remuneration of Auditors

Resolutions 6&7 propose the reappointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the Directors to set their remuneration

Resolution 8 – Directors' authority to allot

This Resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Companies Act 2006. The authority granted at the last AGM is due to expire at the conclusion of this year's AGM and accordingly it is proposed to renew this authority. This Resolution complies with guidance issued by the Association of British Insurers and will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,241,097, which is equal to approximately one-third of the issued share capital of the Company as at 21 November 2012

The authority granted by this resolution will expire on 24 March 2014 or, if earlier, the date of the next AGM

The Directors have no present intention of exercising this authority except in connection with the Company's employee share schemes

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 9 – Disapplication of pre-emption rights

This Resolution will, if passed give the Directors power, pursuant to the authority to allot granted by Resolution 8 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 £1,536,164 which represents approximately 5% of the Company's issued share capital as at 21 November 2012 and renews the authority given at the AGM in 2012

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 75% of the issued ordinary 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

This Resolution complies with relevant guidance issued by the Pre-Emption Group and the Association of British Insurers

The power granted by this Resolution will expire on 24 March 2014 or, if earlier, the date of the next annual general meeting of the company

Resolution 10 – 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 4,608,492 ordinary shares of £1 each, representing just under 15% of the Company's issued ordinary share capital as at 21 November 2012

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 14 March 2014 and the Company's 2014 annual general meeting

As of 21 November 2012 there were options to subscribe outstanding over 1,450,169 ordinary shares, representing 4.72% of the Company's ordinary issued share capital. If the authority given by Resolution 10 were to be fully exercised, these options would represent 5.55% of the Company's ordinary issued share capital after cancellation of the re-purchased shares. As of 21 November 2012 there were no warrants outstanding over ordinary shares

The Directors intend to exercise the power given by Resolution 10 only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the underlying value per share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly

Bonus and incentive scheme targets for executive Directors would not be affected by any enhancement of earnings per share following a share re-purchase

In the opinion of the Directors, Resolution No. 10 is in the best interests of the shareholders as a whole and the Directors intend to seek renewal of these powers at subsequent AGMs