DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

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

Strategic Report

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

Financial results and dividend

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

An interim dividend of 2 43p per share was paid in respect of the year ended 30 September 2015 (2014 1 87p)

The Directors recommend a final dividend of 4 86p per share (2014 3 74p) resulting in a total dividend distribution per share for the year to 30 September 2015 of 7 29p (2014 5 61p)

Share capital

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

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

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

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

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

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

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

Substantial shareholdings

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

Schroder Investment Management	13 2%
BlackRock Investment Management	9 5%
JPMorgan Asset Management	7 5%
Henderson Global Investors	3 4%
Standard Life Investments	3 1%
Franklin Templeton Investments	3 1%

Acquisition of own shares

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

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

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

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

Directors

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

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

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

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

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

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

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

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

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

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

None of the Directors have a beneficial interest in any contract to which the Company or any subsidiary was a party during the year Beneficial interests of Directors, their families and trusts in ordinary shares of the Company can be found on page 74

Directors' and officers' indemnity insurance

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

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

DIVIDEND UP

↑30%

Research and development

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

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

Environmental and corporate social responsibility

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

Political and charitable contributions

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

Financial instruments

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

Post balance sheet events

On 8 October 2015 the Group acquired the Argus thermal imaging camera business from e2v technologies plc for £3 5m There have been no other significant events affecting the Company or Group since the year end

Statement of Directors' responsibilities for preparing the financial statements

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

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

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

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

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

RETURN ON SALES INCREASED TO

20.3%

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

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

Creditor payment policy

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted It is Group policy that payments are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions For the year ended 30 September 2015, the number of days' purchases outstanding at the end of the financial year for the Group was 5 days (2014 2 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors At 30 September 2015 there were no trade creditors in the balance sheet of the parent company (2014 nil)

Independent auditors

Each Director confirms that on the date that this report was approved so far as they are aware, there was no relevant audit information of which the auditors are unaware, and each Director has taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

PROFIT BEFORE TAX UP

↑ 20%

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

Corporate governance

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

Annual general meeting

The Company's annual general meeting will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 26 January 2016 at 10 30am The Notice of Meeting can be found on pages 138 to 146 Registration will be from 10 00am

Miles Ingrey-Counter
Company Secretary
17 November 2015

Statement of compliance with the UK Corporate Governance Code

The Board of Directors believes in high standards of corporate governance, notwithstanding the Company's size and status as a member of the FTSE SmallCap index, and is accountable to shareholders for the Group's performance in this area This statement describes how the Group is applying the relevant principles of governance, as set out in the UK Corporate Governance Code (the Code) which is available on the website of the Financial Reporting Council (FRC)

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

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

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

Leadership and effectiveness

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

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

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

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

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

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

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

How the Board operates

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

Examples of strategic and management issues include the following

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

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

Performance evaluation

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

119%

OF OPERATING PROFIT CONVERTED TO CASH

Committees of the Board

Of particular importance in a governance context are the three committees of the Board, namely the Remuneration Committee, the Nominations Committee and the Audit Committee

The members of the Committees comprise the Chairman and all the Non-Executive Directors The Non-Executive Directors continue to regard the Chairman as adding significant value to the deliberations of the Audit Committee and his membership is ratified by Provision C 3 1 of the Code, which permits listed companies outside the FTSE 350 to allow the Chairman to sit on the audit committee where he or she was considered independent on appointment as Chairman Mr P Vervaat is Chairman of the Audit Committee The Board is satisfied that Mr Vervaat has recent relevant financial experience and his profile appears on page 43 Mr D Evans is Chairman of the Nominations Committee and Mr R Wood is Chairman of the Remuneration Committee

The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance related benefits for the Executive Directors and other senior executives The Chief Executive and the Company Secretary attend meetings of the Committee by invitation, but are absent when issues relating to each of them are discussed More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 56 to 77

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

Meetings during year ended 30 September 2015

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

* Attendance by invitation

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

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

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

Relations with shareholders

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

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

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

The Non-Executive Directors, having considered the Code with regard to relations with shareholders, are of the view that it is most appropriate for the shareholders to have regular dialogue with the Executive Directors The results of all dialogue with shareholders are communicated to the Board and reviewed by all Non-Executive Directors However, should shareholders have concerns, which they feel cannot be resolved through normal shareholder meetings, the Chairman, Senior Independent Non-Executive Director and the remaining Non-Executive Director may be contacted through the Company Secretary

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

Accountability

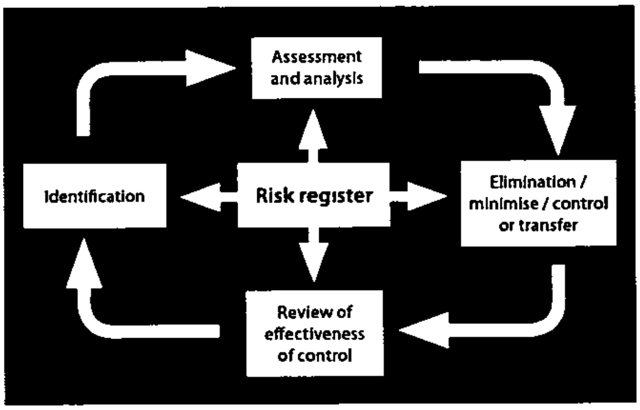
The Code requires that Directors review the effectiveness of the Group's system of internal controls on a continuing basis The scope of this review covers all controls including financial, operational and compliance controls as well as risk management As indicated earlier, the Board has put in place a framework of internal controls and the Audit Committee has responsibility to review, monitor and make policy and recommendations to the Board upon all such matters

The Directors acknowledge their responsibility for the Group's system of internal control The Board, through the Audit Committee, keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses

The section on internal control in the Audit Committee Report on pages 54 to 55 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness

Systems exist throughout the Group which provide for the creation of three year plans and annual budgets, monthly reports enable the Board to compare performance against budget and to take action where appropriate

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



Risk management

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

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

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

OPERATING
PROFIT UP

↑ 19%

The risk management process

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

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

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

The Board has issued a Code of Conduct which reinforces the importance of a robust internal control framework throughout the Group The Board recognises that an open and honest culture is key to understanding concerns within the business and to uncovering and investigating any potential wrongdoing The Code sets out the procedure whereby individuals may raise concerns in matters of financial reporting or any other matter of concern with management and directly with the Chairman of the Audit Committee to ensure independent investigation and appropriate follow up action The Code is reviewed annually

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year with management and, on two occasions, external auditors to review specific accounting, reporting and financial control matters This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors

Disclosure and transparency rules

Disclosures in respect of the DTR requirements under DTR 7 2 6 are given in the Directors' Report on page 46 and have been included by reference

Going concern

After making appropriate enquiries, the Directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements

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

Long-term viability statement

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

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

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

Pim Vervaat
Chairman of the Audit Committee
17 November 2015

NOMINATIONS COMMITTEE REPORT

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

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

Main responsibilities

The main responsibilities of the Committee are as follows

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

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

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

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

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

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

Recent appointments to the Board

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

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

Evaluation

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

David Evans
Chairman
17 November 2015

AUDIT COMMITTEE REPORT

Main responsibilities

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

Activities during the year

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

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

Financial reporting

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

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

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

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

External auditors

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

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

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

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

The new regulatory requirement to rotate the external audit mandate does not affect the Company until 2020 However, in order to ensure the independence and objectivity of the external auditors and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy This policy provides clear definitions of services that the external auditors can and cannot provide They may only provide non-audit services where those services do not conflict with their independence A formal authorisation policy is in place for the provision of non-audit services to ensure that appropriate pre-approval is obtained as necessary The latest version provides that non-audit services with a value of more than £50,000 or which cumulatively exceed the annual audit fee require the approval of the Board This approach was preferred to capping the value of non-audit services performed by the external auditor by reference to the external audit fee The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor To ensure compliance with this policy the Audit Committee carried out a review during the year of the remuneration received by PwC for audit services, audit-related services and non-audit work The breakdown of the fees paid to the external auditor, including the split between audit and non-audit fees, is included in note 5 on page 91 of the financial statements No non-audit services were carried out by PwC during the year These reviews ensure a balance of objectivity, value for money and compliance with this policy The outcome of these reviews was that no conflicts of interest existed between such audit and non-audit work

Internal control

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

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

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

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

Pim Vervaat
Chairman of the Audit Committee
17 November 2015

Letter from the Chairman of the Remuneration Committee

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

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

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

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

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

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

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

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

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

1 Base salaries

1 1 Executive Directors

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

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

1 2 Non-Executive Directors

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

2 Executive Directors' variable pay

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

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

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

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

3 Long-term incentives for Executive Directors

The long-term incentive grants made for both the Chief Executive and Group Finance Director in 2014 were at the historical level of 100% of salary As noted in my report last year, we have, this year, concluded a review of our five year old Performance Share Plan As a result of this review, we are proposing some changes to bring the scheme and the level of future awards into line with current market practice Some of the proposed changes will require amendments to the Plan rules and a shareholder resolution is therefore being proposed

The remit of the Committee's review was to

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

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

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

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

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

- The normal award level will remain capped at 100% of annual salary per year However, the overall cap will be increased to 200% of salary so that above standard level special awards may be made to selected people, in exceptional circumstances, if an appropriate challenge warrants such treatment
- The TSR comparator group historically used in the TSR performance condition will be changed The current index of companies being used as a comparator is no longer thought to represent a sufficiently stretching bench mark for the increasingly successful Avon team We propose, instead, to use the FTSE All Share index (excluding investment trusts) This is preferable to defining a bespoke comparator basket of companies which would result in distorted comparisons, given the two diverse business divisions and the large size of many defence industry comparators
- The EPS performance condition will be amended to refer to CPI rather than RPI for future awards on the basis that RPI is no longer an approved national statistic
- A two year holding period will be introduced following the three year performance period for any exceptional awards made in excess of 100% of salary The current shareholding guidelines will remain in place for awards of up to 100% of salary
- In line with market practice, the median vesting level for normal awards made at the 100% salary level will be reduced from 30% to 25% so that fewer shares vest for median performance
- A clean break option will be introduced for exiting executives The Committee already has discretion to allow good leaver status on a case by case basis but for added flexibility, the rules will be amended to allow for a clean break when executives leave This will permit vesting to be triggered at the point of leaving by reference to performance at that date, rather than waiting until the end of the performance period This, in turn, will allow vesting at rates appropriate to the Board's strategy for managing an exit, for example to offset cash compensation by allowing earlier vesting

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

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

Conclusions

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

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

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

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

Remuneration Policy Report

Executive Directors

Remuneration Committee

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

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

The Committee addressed the following main issues during the last year

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

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

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

Guiding policy

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

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

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

The Company's guiding policy on executive remuneration is that

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

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

Approach to recruitment remuneration

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

In unusual circumstances it may be necessary to pay a joining incentive to secure the right candidate The Committee might consider paying up to 2 5 times base salary in these circumstances with the actual amount being defined by market requirements at the time However, any such payment would be subject to performance conditions and a claw back on underperformance during the first two years of employment No joining incentives have been paid in connection with the recruitment of the new Chief Executive

The process for the change of Chief Executive highlighted two features of remuneration that were not covered by the current remuneration policy, because they were not anticipated at the time the policy was originally drafted These are being added this year Firstly, because the Company has just two Executive Directors the Board decided to mitigate the continuity risk associated with Mr Slabbert's retirement by agreeing to pay a one off retention bonus to Mr Lewis This also aimed to reflect the extra work and responsibility Mr Lewis has to carry during the extended recruitment and transition period to a new Chief Executive The quantum of this bonus is subject to performance conditions which are aligned to shareholder interests and will only be paid if Mr Lewis remains in post and has performed satisfactorily at the end of the 2016 financial year The ability to make such one off bonus awards to Executive Directors in this limited context is important because the individual is taking on an additional role as well as continuing to fulfil their own role and it is therefore being added to the policy this year Secondly, the Committee agreed to pay Mr Lewis a salary supplement for acting as Interim Group Chief Executive for the short period between 1 October 2015 and 30 November 2015 The ability to pay such supplements in this limited context is therefore being added to the policy this year

Consideration of conditions elsewhere in the Company

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

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

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

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

Consideration of shareholder views

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

Detailed policy

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

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

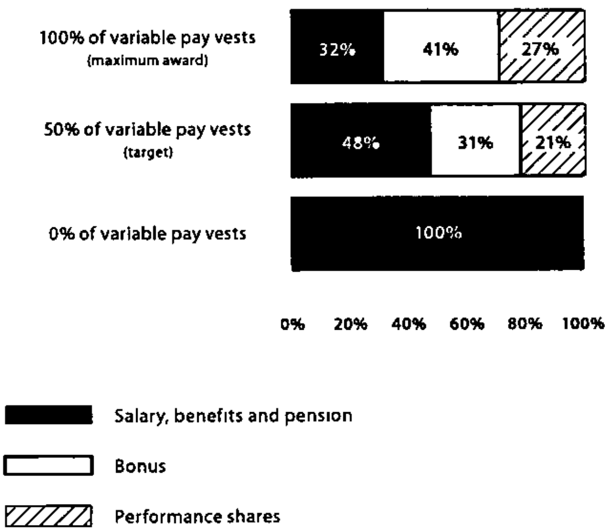
Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value*	Performance targets	Changes from 2014
Base Salary	To provide competitive fixed remuneration To attract and retain Executive Directors of superior calibre in order to deliver growth for the business Intended to reflect that paid to senior management of comparable companies Reflects individual experience and role	Reviewed every three years by the Remuneration Committee Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, as well as relative to the external market as identified in a benchmarking study based on an appropriate comparator group An Executive Director may be paid a salary supplement for fulfilling the role of another higher paid Executive Director when that Executive Director retires or leaves the Company. Supplement capped at the leaving Director's base salary	2013/14 PC Slabbert £350,000 AG Lewis £252,000 2014/15 No change 2015/16 New Chief Executive to be paid £300,000, reviewed in October 2016 AG Lewis £252,000 plus £13,000 salary supplement payable for the period from 1 October to 30 November 2015 No increase in 2016 unless found to be below the median level shown in a benchmarking report to be commissioned in 2016 and any adjustments will be effective from 1 October 2016	Not applicable	For 2015/16 New Chief Executive salary confirmed within existing approved maximum potential value for this role Policy proposed to be amended to permit payment of a salary supplement to Executive Directors for temporarily fulfilling the role of higher paid Executive Directors in addition to their own when they retire or leave the Company. The Group Finance Director has been paid a salary supplement of £6,500 per month for acting as Interim CEO between 1 October and 30 November 2015
Benefits	As above	Executive Directors are entitled to medicals every two years and private health insurance. Cash for car payments were phased out in 2009. Life assurance is a benefit under the pension scheme but paid for by the Company. Small loans have been made in connection with the jointly owned equity awards under the Performance Share Plan	Full cost of healthcare benefits is circa £2k per Executive Director Life assurance is provided as part of a Group-wide policy and therefore a specific cost cannot be attributed to the Executive Directors	Not applicable	No change
Annual Bonus	Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives Maximum bonus only payable for achieving demanding targets Deferred element encourages long-term shareholding and discourages excessive risk taking	Paid in cash except 25% is deferred into shares to be held for two years. Not pensionable Up to 150% of basic salary for the CEO and the FD in 2015 Deferral does not apply to the percentage award relating to achievement of personal objectives Claw back applies if the financial results which led to the bonus being paid are restated due to an error in the subsequent two years	2013/14 % of salary PC Slabbert 150 AG Lewis 150 2014/15 [illegible] of salary – No change 2015/16 [illegible] of salary No change including for the new Chief Executive	The first 100% is based upon a combination of Group profit budget achievement, Group PBITE year on year PBITE growth and Group cash generation ratio of operating cash flow to operating profit plus specific personal performance targets Bonus in excess of 100% of salary is based upon EPS growth occurring in excess of 20% over the previous year	No change

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

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

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

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



Basic salary and benefits

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

Current basic salary levels are as follows

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

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

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

Comparator group of companies for reward benchmarking

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

Annual cash bonus

The Executives' annual bonus arrangements are focused on the achievement of the Company's short and medium-term financial objectives Before the start of each year, the Remuneration Committee sets financial performance targets for the year These are designed to be stretching Bonus payments are not pensionable

2014/15

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

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

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

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

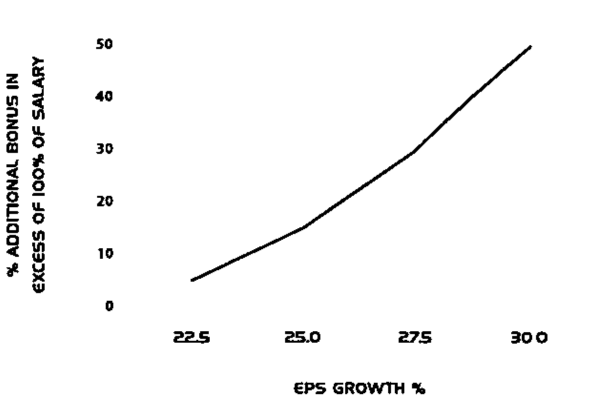
The additional 50% of salary is only payable for truly exceptional performance, calculated according to a ratchet based on earnings per share (EPS) The ratchet only applies to EPS growth in excess of 20% over the previous year

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

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

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

% ADDITIONAL BONUS EARNED V EPS GROWTH %



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

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

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

One off bonus arrangements

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

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

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

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

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

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

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

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

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

Under the Plan, Executive Directors and a limited number of other senior executives and employees receive conditional share awards (which may be in the form of nil-cost options) in respect of the Company's shares The awards are split so that 50% vests in accordance with the TSR target and 50% in accordance with the EPS target The Committee considered as part of its 2015 review whether to make the targets apply concurrently but decided against this, preferring the balance of measures relating to earnings growth and long-term strategic performance that are assessed independently of each other The actual number of shares that each participant receives depends on the Company's performance over a three-year performance period against the combined EPS/TSR target

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

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

Over the three-year period

- If the Company's TSR performance is below the median TSR of the comparator group, no shares will vest
- If the Company's TSR performance is equal to the median TSR of the comparator group, 30% of the shares may vest
- If the Company's TSR performance is equal to, or exceeds, the upper quartile TSR of the comparator group, 100% of the shares may vest
- If the Company's TSR performance is between the median and upper quartile TSR of the comparator group, shares may vest on a pro rata basis

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

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

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

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

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

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

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

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

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

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

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

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

Shareholding guidelines

Under shareholding guidelines originally approved in 2004, executives participating in the Performance Share Plan are required to build up and retain a shareholding in the Company For Executive Directors the shareholding requirement was originally equivalent to 1 5 times base salary but this was increased to two times base salary for awards vesting after December 2014 For other recipients the shareholding requirement is equivalent to one times base salary The Executive Directors and other members of the Group Executive management team are required to retain a portion of any awards that vest under the Plan until their respective shareholding guideline is met Once the shareholding guideline is met executives are not required to retain any portion of future awards that vest

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

Dilution

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

Other share plans

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

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

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

Pension arrangements

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

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

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

In January 2012, Mr Slabbert's total pension benefits reached the standard lifetime allowance of £1 8m and he ceased making contributions into the money purchase section of the Plan Monthly contributions have been paid to Mr Slabbert as a salary supplement since then and until his retirement on 30 September 2015 Mr Slabbert remained covered by the death in service insurance until his retirement notwithstanding that he was no longer an active member of the Plan

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

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

Service contracts and policy on payments for loss of office

The Company's policy is that Executive Directors should normally be employed under a contract which may be terminated by either the Company or the Executive Director giving 12 months' notice The Company may terminate the contract with immediate effect with or without cause by making a payment in lieu of notice by monthly instalments of salary and benefits to a maximum of 12 months, with reductions for any amounts received from providing services to others during this period There are no obligations to make payments beyond those disclosed elsewhere in this report

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

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

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

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

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

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

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

Chairman and Non-Executive Directors

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

Current fees are as follows

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

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

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

All Non-Executive Director appointments may be terminated on giving three months' notice There are no provisions for compensation payments on early termination in the Chairman's and the Non-Executive Directors' letters of appointment The date of each appointment is set out below, together with the date of their last re-election by shareholders

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

Annual report on remuneration

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

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

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

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

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

Single total figure of remuneration

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

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

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

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

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

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

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

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

The ratio of CEO fixed pay to average employee fixed pay is 11 3 1 for the year under review

Relative importance of spend on pay (unaudited)

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

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

Annual bonus

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

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

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

Pensions

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

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

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

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

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

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

The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of Directors' pension benefits They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration

The accrued entitlement shown is the amount that would be paid each year at normal retirement age, based on service to the end of the current year The accrued lump sum, under the defined benefit scheme, for Mr Slabbert at 30 September 2015 was £336,663 (2014 £328,157)

Directors' shareholdings and share interests

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

	At the end of the year	At the beginning of the year
SJ Pirie (resigned 29 January 2015)	n/a	73,000
DR Evans	40,000	40 000
RK Wood	-	-
PC Slabbert	145,357*	202,645
AG Lewis	87,055**	121,110
PRM Vervaat	-	-

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

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

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

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

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

Performance Share Plan 2010 (the Plan)

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

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

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

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

Outstanding awards granted annually under the Plan were as follows

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

* The award price at the date of grant was 720 2 pence

** The market price at the vesting date for the 2011/12 award was 715 0 pence

*** The weighted average remaining life of the awards outstanding at the year-end is 1 1 years (2014 1 6 years)

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

Outstanding awards granted annually under the Plan were as follows

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

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

The award price for the 2014/2015 was 720 2 pence, for the 2013/14 award it was 579 7 pence, for the 2012/13 award it was 349 5 pence and for the 2011/12 award it was 300 0 pence

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

[1] Based on Avon Rubber p l c s Total Shareholder Return ranked relative to companies in the FTSE Small Cap Index at the start of the period

[2] Based on the real growth in earnings over the performance period where real growth is expressed as a % above inflation

[3] The three-year performance period in respect of these awards is complete but vesting is not determined until the end of November following release of the Group results 100% of the awards are currently expected to vest.

[4] The three year performance periods in respect of these awards is not yet complete

[5] These awards were reduced to 69% of entitlement to remain within the 5% dilution limit previously contained in the Plan rules They vested in full in December 2011 on the basis of a Company TSR of 905% compared to the upper quartile of the comparator group at 131%

[6] These awards vested in full in December 2012 on the basis of a Company TSR of 265% compared to the upper quartile of the comparator group at 63%

[7] These awards vested in full in December 2013 on the basis of a Company TSR of 214% compared to the upper quartile of the comparator group at 122%

[8] These awards vested at 96% in December 2014 on the basis of a Company TSR of 131% compared to the upper quartile of the comparator group at 138% and EPS growth of 81%

Position under shareholding guidelines

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

* Taken from the table on page 74

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

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

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

Dilution

In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 7 6% and 9 7% respectively based on the issued share capital at 30 September 2015

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

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

As at 30 September 2015, the number of shares committed under discretionary share-based incentive schemes since 30 September 2005, less the number of shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trust gives 2,356,600 shares This represents 7 6% dilution against the 10% discretionary plan dilution limit

As at 30 September 2015, the number of shares committed under all employee share-based incentive schemes since 30 September 2005, less the number of shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trust gives 3,007,146 shares which represents 9 7% dilution against the 15% all employee plan dilution limit

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

Total shareholder return performance graph

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

AVON RUBBER PLC - TOTAL RETURN ON INVESTMENT

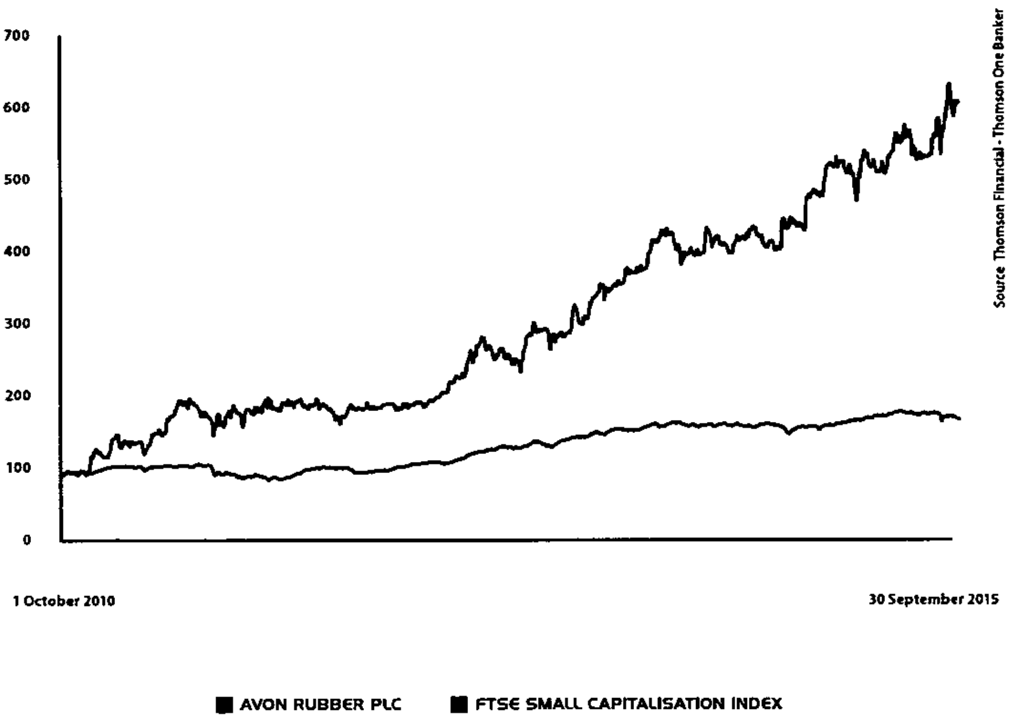


Table of historic data

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

Share Incentive Plan

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

As at 30 September 2015, the market price of Avon Rubber p l c shares was £9 14 (2014 £6 15) During the year the highest and lowest market prices were £9 51 and £6 20 respectively

Payments to past Directors and payments for loss of office

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

Statement of implementation of remuneration policy in the following year

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

Details of the advisors to the Remuneration Committee and their fees

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

Statement of shareholder voting on the Remuneration Report

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

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the remuneration report	20,647,982	99 03	200,738	0 96	20,848,630	34,562

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

Richard Wood

Richard Wood
Chairman of the Remuneration Committee
17 November 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 Statutory £'000	2015 Adjustments* £'000	2015 Adjusted £'000	2014 Statutory £000	2014 Adjustments* £000	2014 Adjusted £000
Continuing operations							
Revenue	1	**134,318**	-	**134,318**	124,779	-	124,779
Cost of sales		**(88,618)**	-	**(88,618)**	(83,264)	-	(83,264)
Gross profit		**45,700**	-	**45,700**	41,515	-	41,515
Selling and distribution costs		**(13,007)**	-	**(13,007)**	(11,505)	-	(11,505)
General and administrative expenses		**(13,807)**	**1,329**	**(12,478)**	(15,685)	2,678	(13,007)
Operating profit	1	**18,886**	**1,329**	**20,215**	14,325	2,678	17,003
Operating profit is analysed as:							
Before depreciation and amortisation		**26,981**	**286**	**27,267**	20,486	2,417	22,903
Depreciation and amortisation	11,12	**(8,095)**	**1,043**	**(7,052)**	(6,161)	261	(5,900)
Operating profit		**18,886**	**1,329**	**20,215**	14,325	2,678	17,003
Finance income	4	**45**	-	**45**	1	-	1
Finance costs	4	**(192)**	-	**(192)**	(275)	-	(275)
Other finance expense	4	**(901)**	**654**	**(247)**	(187)	12	(175)
Profit before taxation	5	**17,838**	**1,983**	**19,821**	13,864	2,690	16,554
Taxation	6	**(2,672)**	**(253)**	**(2,925)**	(3,053)	(450)	(3,503)
Profit for the year from continuing operations		**15,166**	**1,730**	**16,896**	10,811	2,240	13,051
Discontinued operations - loss for the year	3	**(1,500)**	**1,500**	-	-	-	-
Profit for the year		**13,666**	**3,230**	**16,896**	10,811	2,240	13,051
Other comprehensive income/(expense)							
Items that are not subsequently reclassified to the income statement							
Actuarial loss recognised on retirement benefit scheme	10	**(1,040)**	-	**(1,040)**	(4,851)	-	(4,851)
Deferred tax relating to retirement benefit scheme		**3,321**	-	**3,321**	-	-	-
Items that may be subsequently reclassified to the income statement							
Net exchange differences offset in reserves		**3,311**	-	**3,311**	(306)	-	(306)
Other comprehensive income/(expense) for the year, net of taxation		**5,592**	-	**5,592**	(5,157)	-	(5,157)
Total comprehensive income for the year		**19,258**	**3,230**	**22,488**	5,654	2,240	7,894
Earnings per share	8						
Basic		**45 4p**		**56 1p**	36 2p		43 7p
Diluted		**44 2p**		**54 6p**	35 0p		42 3p
Earnings per share from continuing operations	8						
Basic		**50 4p**		**56 1p**	36 2p		43 7p
Diluted		**49 0p**		**54 6p**	35 0p		42 3p

* See note 3 for further details of adjustments

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2015

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

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

David Evans

Andrew Lewis

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

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

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

All movement in other reserves relates to the translation reserve

Accounting policies

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

Basis of preparation

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

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

Recent accounting developments

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

The Group's approach to these is as follows

a) Standards, amendments and interpretations effective in 2015

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

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

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

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

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

Basis of consolidation

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

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

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

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

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

Foreign currencies

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

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

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

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

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

Revenue

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

Segment reporting

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

Exceptional items

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

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans

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

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

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

Share based compensation

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

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

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

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

Intangible assets

Goodwill

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

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

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

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

Development expenditure

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

Computer software

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

Other intangible assets

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

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

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

Property, plant and equipment

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

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

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

In general, the lives used are

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

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

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

Leases

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

The sale and lease back of property, where the sale price is at fair value and substantially all the risks and rewards of ownership are transferred to the purchaser, is treated as an operating lease The profit or loss on the transaction is recognised immediately and lease payments charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade payables

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

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

Provisions

Provisions are recognised when

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

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

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

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

Borrowings

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

Taxation

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

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

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

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

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

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

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

Dividends

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

Share capital

Ordinary shares are classified as equity

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

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

Critical accounting judgements

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

Areas which management believes require the most critical accounting judgements are

Retirement benefit obligations

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

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

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

Inventory provisions

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

Impairment of intangible assets

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

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

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

Valuation of acquired intangible assets

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

Provisions

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

Taxation

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

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

1 SEGMENT INFORMATION

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

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

Business segments

Year ended 30 September 2015

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

The Protection & Defence segment includes £54 6m (2014 £43 4m) of revenues from the US DOD, the only customer which individually contributes more than 10% to Group revenues

1 SEGMENT INFORMATION CONTINUED

Year ended 30 September 2014

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

Geographical segments by origin

Year ended 30 September 2015

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

Year ended 30 September 2014

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

2 EXPENSES BY NATURE

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

3 ADJUSTMENTS AND DISCONTINUED OPERATIONS

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

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

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

The recruitment costs relate to the recruitment of main Board Directors

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

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

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

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

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

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

4 FINANCE INCOME AND COSTS

	2015 £ 000	2014 £'000
Interest payable on bank loans and overdrafts	**(192)**	(275)
Finance income	**45**	1
	(147)	(274)

Other finance expense

	2015 £'000	2014 £ 000
Net interest cost UK defined benefit pension scheme (note 10)	**(654)**	(12)
Provisions Unwinding of discount (note 18)	**(247)**	(175)
	(901)	(187)

5 PROFIT BEFORE TAXATION

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

6 TAXATION

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

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

	2015 £'000	2014 £000
Profit before taxation	**17,838**	13,864
Profit before taxation at the average standard rate of 20 5% (2014 22 0%)	**3,657**	3,050
Permanent differences	**(822)**	179
Losses for which no deferred taxation asset was recognised	**(577)**	397
Differences in overseas tax rates	**1,532**	794
Adjustment in respect of previous periods	**(1,118)**	(1,367)
Tax charge	**2,672**	3,053

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

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

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

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

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 Accordingly the average standard rate for the year is 20 5%

A number of changes to the UK corporation tax system were announced in the March 2015 Budget Statement proposing to reduce the main rate of corporation tax to 19% by 1 April 2017, with a further reduction to 18% by 1 April 2020 These changes had not been substantively enacted at the balance sheet date and therefore any impacts arising are not included in these financial statements The overall effect of the change is not expected to have any material impact on the Group's deferred tax liabilities as the Group's tax liabilities are held in the US The impact on the Group's deferred tax asset is expected to be a reduction of £0 5m

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

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

7 DIVIDENDS

On 29 January 2015 the shareholders approved a final dividend of 3 74p per qualifying ordinary share in respect of the year ended 30 September 2014 This was paid on 20 March 2015 absorbing £1,127,000 of shareholders' funds

On 29 April 2015, the Board of Directors declared an interim dividend of 2 43p (2014 1 87p) per qualifying ordinary share in respect of the year ended 30 September 2015 This was paid on 4 September 2015 absorbing £732,000 (2014 £560,000) of shareholders' funds

After the balance sheet date the Board of Directors proposed a final dividend of 4 86p per qualifying ordinary share in respect of the year ended 30 September 2015, which will absorb an estimated £1,464,000 of shareholders' funds Subject to shareholder approval, the dividend will be paid on 18 March 2016 to shareholders on the register at the close of business on 19 February 2016 In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences

8 EARNINGS PER SHARE

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

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

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

	2015 £'000	**2015 Basic eps pence**	**2015 Diluted eps pence**	2014 £ 000	2014 Basic eps pence	2014 Diluted eps pence
Profit attributable to equity shareholders of the Company	**13,666**	**45 4**	**44 2**	10,811	36 2	35 0
Loss from discontinued operations	**1,500**	**5 0**	**4 8**	-	-	-
Profit from continuing operations	**15,166**	**50 4**	**49 0**	10,811	36 2	35 0
Adjustments	**1,730**	**5 7**	**5 6**	2,240	7 5	7 3
Profit excluding loss from discontinued operations, amortisation of acquired intangible assets, exceptional items, acquisition costs and defined benefit pension scheme costs	**16,896**	**56 1**	**54 6**	13,051	43 7	42 3

9 EMPLOYEES

The total remuneration and associated costs during the year were

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

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

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

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

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

Key management compensation

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

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

10 PENSIONS AND OTHER RETIREMENT BENEFITS

Retirement benefit assets and liabilities can be analysed as follows

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

Defined benefit pension scheme

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

The Group operated a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Rubber p l c and its Group undertakings in the UK employed prior to 31 January 2003 The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 16 years The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan Four of the Directors are appointed by the Company and two are elected by the members

Pension costs are assessed on the advice of an independent consulting actuary using the projected unit method The funding of the plan is based on regular actuarial valuations The most recent finalised actuarial valuation of the plan was carried out at 31 March 2013 when the market value of the plan's assets was £311 5m The fair value of those assets represented 98 0% of the value of the benefits which had accrued to members, after allowing for future increase in pensions

During the year the Group made payments to the fund of £800,000, (2014 £513,000) in respect of scheme expenses and deficit recovery plan payments In accordance with the deficit recovery plan agreed following the 31 March 2013 actuarial valuation, the Group will make deficit recovery payments in 2016 of £450,000 in addition to £250,000 towards scheme expenses

The defined benefit plan exposes the Group to actuarial risks such as longevity risk, interest rate risk and investment risk

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary at 30 September 2015 using the projected unit method

10 PENSIONS AND OTHER RETIREMENT BENEFITS CONTINUED

Movement in net defined benefit liability

	Defined benefit obligation		Defined benefit asset		Net defined benefit liability	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
At 1 October	**(316,829)**	(300,326)	**300,800**	289,047	**(16,029)**	(11,279)
Included in profit or loss						-
Administrative expenses	**(350)**	(400)	**-**	-	**(350)**	(400)
Settlements	**668**	-	**-**	-	**668**	-
Net interest cost	**(12,692)**	(322)	**12,038**	310	**(654)**	(12)
	(12,374)	(722)	**12,038**	310	**(336)**	(412)
Included in other comprehensive income						
Remeasurement (loss)/gain						
- Actuarial (loss)/gain arising from						
- demographic assumptions	**(480)**	-	**-**	-	**(480)**	-
- financial assumptions	**(4,945)**	(23,277)	**-**	-	**(4,945)**	(23,277)
- experience adjustment	**1,515**	(7,586)	**-**	-	**1,515**	(7,586)
- Return on plan assets excluding interest income	**-**	-	**2,870**	26,012	**2,870**	26,012
	(3,910)	(30,863)	**2,870**	26,012	**(1,040)**	(4,851)
Other						
Contributions by the employer	**-**	-	**800**	513	**800**	513
Net benefits paid out	**17,021**	15,082	**(17,021)**	(15,082)	**-**	-
At 30 September	**(316,092)**	(316,829)	**299,487**	300,800	**(16,605)**	(16,029)

10 PENSIONS AND OTHER RETIREMENT BENEFITS CONTINUED

Plan assets

	2015 £'000	2014 £'000
Equities	**151,782**	146,224
Liability Driven Investment	**62,022**	97,286
Corporate bonds	**28,485**	31,016
Cash	**57,198**	26,274
Total fair value of assets	**299,487**	300,800

The Liability Driven Investment (LDI) comprises a series of LIBOR-earning cash deposits which are combined with contracts to hedge interest rate and inflation rate risk over the expected life of the plan's liabilities

All equity securities and corporate bonds have quoted prices in active markets

The aim of the Trustee is to invest the assets of the plan to ensure that the benefits promised to members are provided In setting the investment strategy the Trustee first considered the lowest risk allocation that could be adopted in relation to the plan's liabilities An asset allocation strategy was then designed to achieve a higher return than this lowest risk strategy which at the same time still represented a prudent approach to meeting the plan's liabilities The target weightings are 40% allocation to liability driven investment funds and cash and 60% to return-seeking investments

Actuarial assumptions

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

	2015 % p a	2014 % p a
Inflation (RPI)	**2 80**	3 00
Inflation (CPI)	**1 70**	1 90
Pension increases post August 2005	**2 10**	2 00
Pension increases pre August 2005	**2 70**	2 80
Discount rate for scheme liabilities	**3 90**	4 10

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows

	2015	2014
Male	**22 2**	22 1
Female	**24 4**	24 3

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

	2015	2014
Male	**23 5**	23 5
Female	**25 9**	25 8

Sensitivity analysis

	Defined benefit obligation Increase/(decrease) £ 000
Inflation (RPI) (0 25% increase)	10,012
Discount rate for scheme liabilities (0 25% increase)	(12,884)
Future mortality (1 year increase)	11,380

The above sensitivity analysis shows the impact on the defined benefit obligation only, not the net pension liability as it does not take into account any impact on the asset valuation

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant In practice, this is unlikely to occur

Defined contribution pension scheme

In addition commencing 1 February 2003, a defined contribution scheme was introduced for employees within the UK The cost to the Group in respect of this scheme for the year ended 30 September 2015 was £442,000 (2014 £415,000)

11 INTANGIBLE ASSETS

	Goodwill £'000	Acquired intangibles £'000	Development expenditure £'000	Computer software £'000	Total £'000
At 1 October 2013					
Cost	63	1,090	22,450	2,848	26,451
Accumulated amortisation and impairment	-	(417)	(8,322)	(1,171)	(9,910)
Net book amount	63	673	14,128	1,677	16,541
Year ended 30 September 2014					
Opening net book amount	63	673	14,128	1,677	16,541
Exchange differences	-	-	(168)	(12)	(180)
Additions	-	-	2,535	527	3,062
Disposals	-	-	(123)	(26)	(149)
Amortisation	-	(261)	(1,497)	(276)	(2,034)
Closing net book amount	63	412	14,875	1,890	17,240
At 30 September 2014					
Cost	63	1,090	22,138	2,604	25,895
Accumulated amortisation and impairment	-	(678)	(7,263)	(714)	(8,655)
Net book amount	63	412	14,875	1,890	17,240
Year ended 30 September 2015					
Opening net book amount	**63**	**412**	**14,875**	**1,890**	**17,240**
Exchange differences	**109**	**1,165**	**684**	**211**	**2,169**
Additions	**-**	**-**	**2,567**	**394**	**2,961**
Acquisitions (note 26)	**2,201**	**20,149**	**-**	**-**	**22,350**
Amortisation	**-**	**(1,043)**	**(1,947)**	**(421)**	**(3,411)**
Closing net book amount	**2,373**	**20,683**	**16,179**	**2,074**	**41,309**
At 30 September 2015					
Cost	**2,373**	**22,304**	**25,481**	**3,800**	**53,958**
Accumulated amortisation and impairment	**-**	**(1,621)**	**(9,302)**	**(1,726)**	**(12,649)**
Net book amount	**2,373**	**20,683**	**16,179**	**2,074**	**41,309**

Development expenditure is amortised over a period between 5 and 15 years
Computer software is amortised over a period between 3 and 7 years
The remaining useful economic life of the development expenditure is between 5 and 12 years
Acquired intangibles include customer relationships, development costs, order book on acquisition and brands and are amortised over a period between 3 and 10 years

12 PROPERTY, PLANT AND EQUIPMENT

	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2013				
Cost	3,402	261	42,080	45,743
Accumulated depreciation and impairment	(367)	(180)	(24,809)	(25,356)
Net book amount	3,035	81	17,271	20,387
Year ended 30 September 2014				
Opening net book amount	3,035	81	17,271	20,387
Exchange differences	(24)	(2)	(162)	(188)
Additions	-	-	3,731	3,731
Disposals	-	(52)	(176)	(228)
Depreciation charge	(191)	(27)	(3,909)	(4,127)
Closing net book amount	2,820	-	16,755	19,575
At 30 September 2014				
Cost	3,179	-	42,469	45,648
Accumulated depreciation and impairment	(359)	-	(25,714)	(26,073)
Net book amount	2,820	-	16,755	19,575
Year ended 30 September 2015				
Opening net book amount	**2,820**	**-**	**16,755**	**19,575**
Exchange differences	**484**	**131**	**981**	**1,596**
Additions	**29**	**-**	**3,193**	**3,222**
Acquisitions (note 26)	**4,511**	**2,404**	**1,616**	**8,531**
Disposals	**-**	**-**	**(28)**	**(28)**
Depreciation charge	**(176)**	**(9)**	**(4,499)**	**(4,684)**
Closing net book amount	**7,668**	**2,526**	**18,018**	**28,212**
At 30 September 2015				
Cost	**8,879**	**3,162**	**57,589**	**69,630**
Accumulated depreciation and impairment	**(1,211)**	**(636)**	**(39,571)**	**(41,418)**
Net book amount	**7,668**	**2,526**	**18,018**	**28,212**

The net book amount of short leaseholds and £106,000 included within plant and machinery relates to assets held under finance leases

13 INVENTORIES

	2015 £ 000	2014 £ 000
Raw materials	**9,581**	8,876
Work in progress	**712**	2,151
Finished goods	**6,830**	1,860
	17,123	12,887

Provisions for inventory write downs were £2,412,000 (2014 £1,554,000)
The cost of inventories recognised as an expense and included in cost of sales amounted to £56,851,000 (2014 £53,482,000)

14 TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £ 000
Trade receivables	**14,904**	15,544
Less provision for impairment of receivables	**(421)**	(249)
Trade receivables – net	**14,483**	15,295
Prepayments	**1,344**	1,316
Other receivables	**1,196**	2,546
	17,023	19,157

In 2014, other receivables included £956,000 in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK, which was refunded during the year The remaining balance comprises sundry receivables

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

	2015 £'000	2014 £ 000
At 1 October	**249**	269
Provision for impairment of receivables	**35**	-
Acquisitions	**137**	-
Receivables written off during the year as uncollectable	**-**	(20)
At 30 September	**421**	249

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated statement of comprehensive income

15 CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash at bank and in hand	**332**	2,925

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

16 TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade payables	**1,505**	440
Other taxation and social security	**408**	629
Other payables	**1,093**	152
Accruals	**14,144**	16,534
	17,150	17,755

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

17 BORROWINGS

	2015 £'000	2014 £'000
Current		
Bank loans	**1,864**	-
Finance lease liabilities	**486**	-
	2,350	-
Non-current		
Bank loans	**11,143**	-
Total borrowings	**13,493**	-
The maturity profile of the Group's borrowings at the year end was as follows		
In one year or less, or on demand	**2,350**	-
Between two and five years	**11,143**	-
	13,493	-

17 BORROWINGS CONTINUED

The Group has the following undrawn committed facilities

	2015 £'000	2014 £'000
Expiring within one year	-	-
Expiring beyond one year	**15,194**	24,191
Total undrawn committed borrowing facilities	**15,194**	24,191
Bank loans and overdrafts utilised	**13,007**	-
Utilised in respect of guarantees	**362**	337
Total Group facilities	**28,563**	24,528

All facilities are at floating interest rates

On 9 June 2014 the Group agreed new bank facilities with Barclays Bank and Comerica Bank The combined facility comprises a revolving credit facility of $40m and expires on 30 November 2018 This facility is priced on the dollar LIBOR plus margin of 1 25% and includes financial covenants which are measured on a quarterly basis The Group was in compliance with its financial covenants during 2015 and 2014

InterPuls S p A has a fixed term loan of €2 5m which expires on 31 December 2015 This facility is priced on EURIBOR plus margin of 0 9%

The Group has provided the lenders with a negative pledge in respect of certain shares in Group companies

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

	2015 Sterling %	2015 Dollar %	2015 Euro %	2014 Sterling %	2014 Dollar %	2014 Euro %
Bank loans	**1.8**	**1 4**	**0.9**	-	-	-
Finance lease liabilities	-	-	**3 0**	-	-	-

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Facility relocation £'000	Property obligations £'000	Total £'000
Balance at 1 October 2013	-	2,613	2,613
Charged in the year	1,637	1,632	3,269
Unwinding of discount	-	175	175
Payments in the year	(1,191)	(1,056)	(2,247)
Exchange difference	8	1	9
Balance at 30 September 2014	454	3,365	3,819
Charged in the year	-	**1,500**	**1,500**
Unwinding of discount	-	**247**	**247**
Payments in the year	**(485)**	**(2,545)**	**(3,030)**
Exchange difference	**31**	-	**31**
Balance at 30 September 2015	-	**2,567**	**2,567**

Analysis of total provisions	**2015 £'000**	2014 £'000
Non-current	**1,712**	1,973
Current	**855**	1,846
	2,567	3,819

Property obligations include an onerous lease provision of £1 8m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK £0 3m of this provision is expected to be utilised in 2016, and the remaining £1 5m over the following fourteen years Other property obligations relate to former premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next five years Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords

Facility relocation related to the cost of consolidating our Protection & Defence operations from four US sites into three ahead of the expiry of the lease on the Lawrenceville, GA facility

19 FINANCIAL INSTRUMENTS

Financial instruments by category

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as 'loans and receivables' Borrowings and trade and other payables are classified as 'other financial liabilities at amortised cost' Both categories are initially measured at fair value and subsequently held at amortised cost

Derivatives (forward exchange contracts) are classified as 'derivatives used for hedging' and accounted for at fair value with gains and losses taken to reserves through the consolidated statement of comprehensive income

Financial risk and treasury policies

The Group's treasury management team maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and provides a treasury service to the Group's businesses Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions

The Group has clearly defined policies for the management of foreign exchange rate risk The Group treasury management team is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged by the use of forward exchange contracts

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and monies on deposit with financial institutions

The US Government through the Department of Defense is a major customer of the Group Credit evaluations are carried out on all non-Government customers requiring credit above a certain threshold, with varying approval levels set above this depending on the value of the sale At the balance sheet date there were no significant concentrations of credit risk, except in respect of the US Government noted above

Counterparty risk arises from the use of derivative financial instruments This is managed through credit limits, counterparty approvals and rigorous monitoring procedures

Where possible, letters of credit or payments in advance are received for significant export sales

The Group establishes an allowance for impairment in respect of receivables where recoverability is considered doubtful

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was

Carrying amount	**2015 £'000**	2014 £'000
Trade receivables	**14,483**	15,295
Other receivables	**1,196**	2,546
Cash and cash equivalents	**332**	2,925
Forward exchange contracts used for hedging	**3**	2
	16,014	20,768

The maximum exposure to credit risk for financial assets at the reporting date by currency was

Carrying amount of financial assets	**2015 £'000**	2014 £000
Sterling	**2,076**	4,307
US dollar	**11,372**	14,967
Euro	**1,879**	928
Other currencies	**687**	566
	16,014	20,768

19 FINANCIAL INSTRUMENTS CONTINUED

Provisions against trade receivables

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

	Gross 2015 £'000	Provision 2015 £'000	Net 2015 £'000	Gross 2014 £'000	Provision 2014 £'000	Net 2014 £'000
Not past due	11,020	-	11,020	13,914	-	13,914
Past due 0-30 days	1,631	(85)	1,546	1,111	-	1,111
Past due 31-60 days	1,922	(87)	1,835	369	(131)	238
Past due 61-90 days	135	(82)	53	135	(103)	32
Past due more than 91 days	196	(167)	29	15	(15)	-
	14,904	(421)	14,483	15,544	(249)	15,295

The total past due receivables, net of provisions is £3,463,000 (2014 £1,381,000)

The individually impaired receivables mainly relate to a number of independent customers A portion of these receivables is expected to be recovered

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position Typically the Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses and at the year end had facilities of £28 6m (2014 £24 5m)

The following shows the contractual maturities of financial liabilities, including interest payments, where applicable and excluding the impact of netting agreements and on an undiscounted basis

Analysis of contractual cash flow maturities	Carrying amount £'000	Contractual cash flows £'000	Less than 12 months £'000	1 - 2 Years £'000	2 - 5 Years £ 000	More than 5 Years £'000
30 September 2015						
Bank loans and overdrafts	13,007	13,026	1,872	338	10,816	-
Finance lease liabilities	486	486	486	-	-	-
Trade and other payables	16,742	16,742	16,742	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	3,923	3,923	-	-	-
- Inflow	(3)	-	-	-	-	-
	30,232	34,177	23,023	338	10,816	-

19 FINANCIAL INSTRUMENTS CONTINUED

Analysis of contractual cash flow maturities	Carrying Amount £'000	Contractual Cash flows £'000	Less than 12 months £000	1 - 2 Years £000	2 - 5 Years £'000	More than 5 Years £000
30 September 2014						
Trade and other payables	17,126	17,126	17,126	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	922	922	-	-	-
- Inflow	(2)	-	-	-	-	-
	17,124	18,048	18,048	-	-	-

(iii) Market risks

Market risk is the risk that changes in market prices, such as currency rates and interest rates, will affect the Group's results The objective of market risk management is to manage and control risk within suitable parameters

(a) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling The currencies giving rise to this risk are primarily the US dollar and related currencies and the euro The Group hedges material forecast US dollar or euro foreign currency transactional exposures using forward exchange contracts In respect of other monetary assets and liabilities held in currencies other than sterling, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value through the consolidated statement of comprehensive income Fair value is assessed by reference to year-end spot exchange rates, adjusted for forward points associated with contracts of similar duration The fair value of forward exchange contracts used as hedges at 30 September 2015 was a £3,000 asset (2014 £2,000 asset) comprising an asset of £3,000 (2014 £2,000) and a liability of nil (2014 nil)

All forward exchange contracts in place at 30 September 2015 mature within one year

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of five cents in the value of the US dollar against sterling would have had a £700,000 (2014 £415,000) impact on the Group's current year profit before interest and tax, a £609,000 (2014 £317,000) impact on the Group's profit after tax and a £1,300,000 (2014 £1,400,000) impact on shareholders' funds The method of estimation, which has been applied consistently, involves assessing the translation impact of the US dollar

A general change of five cents in the value of the euro against sterling would have had a £800,000 (2014 nil) impact on shareholders' funds Due to the timing of the acquisition of InterPuls, the impact on profit would not have been material

The following significant exchange rates applied during year

	Average rate 2015	**Closing rate 2015**	Average rate 2014	Closing rate 2014
US dollar	**1 542**	**1 517**	1 654	1 631
Euro	**1 351**	**1 359**	1 221	1 281

(b) Interest rate risk

The Group does not undertake any hedging activity in this area All foreign currency cash deposits are made at prevailing interest rates and where rates are fixed the period of the fix is generally not more than one month The main element of interest rate risk concerns borrowings which are made on a floating LIBOR-based rate and short-term overdrafts in foreign currencies which are also on a floating rate

The Group is exposed to interest rate fluctuations with net debt of £13 2m (2014 £2 9m net cash) a 1% increase in interest rates would increase interest costs by £0 1m (2014 no impact on interest costs)

The floating rate financial liabilities comprised bank loans bearing floating interest rates fixed by reference to the relevant LIBOR or equivalent rate

All cash deposits are on floating rates or overnight rates based on the relevant LIBOR or equivalent rate

19 FINANCIAL INSTRUMENTS CONTINUED

(iv) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares

The Group monitors capital on the basis of the gearing ratio, calculated as net debt divided by capital Net debt is calculated as total borrowings less cash and cash equivalents Total capital is measured by the current market capitalisation of the Group, plus net debt

The Group's net (debt)/cash at the balance sheet date was

	2015 £'000	2014 £'000
Total borrowings	**(13,493)**	-
Cash and cash equivalents	**332**	2,925
Group net (debt)/cash	**(13,161)**	2,925
Market capitalisation of the Group at 30 September	**283,550**	190,947
Gearing ratio	**4 4%**	N/A

At 30 September 2014 the Group had net cash, therefore calculation of the gearing ratio is not applicable

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19 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 2015 £'000	**Fair value 2015 £'000**	Carrying amount 2014 £'000	Fair value 2014 £'000
Trade receivables	**14,483**	**14,483**	15,295	15,295
Other receivables	**1,196**	**1,196**	2,546	2,546
Cash and cash equivalents	**332**	**332**	2,925	2,925
Forward exchange contracts	**3**	**3**	2	2
Secured loans	**(13,493)**	**(13,493)**	-	-
Trade and other payables	**(16,742)**	**(16,742)**	(17,126)	(17,126)
	(14,221)	**(14,221)**	3,642	3,642

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above

Derivatives
The fair value of forward exchange contracts is determined by using valuation techniques using year-end spot rates, adjusted for the forward points to the contract's value date No contract's value date is greater than one year from the year end These instruments are included in level 2 in the fair value hierarchy as the valuation is based on inputs that are either directly or indirectly observable

Secured loans
As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value

Trade and other receivables/payables
As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value

20 SHARE CAPITAL

	2015 No of shares	2015 Ordinary shares £'000	2015 Share premium £'000	2014 No of shares	2014 Ordinary shares £ 000	2014 Share premium £ 000
Called up, allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	**31,023,292**	**31,023**	**34,708**	30,723,292	30,723	34,708
Issued during the year	-	-	-	300,000	300	-
At the end of the year	**31,023,292**	**31,023**	**34,708**	31,023,292	31,023	34,708

During 2014, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p l c Employee Share Ownership Trust No 1

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on pages 58-77

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

At 30 September 2015 887,315 (2014 1,081,810) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan Dividends on these shares have been waived The market value of the shares held in the trust at 30 September 2015 was £8,110,000 (2014 £6,659,000) These shares are held at cost as treasury shares and deducted from shareholders' equity

During 2015 the trust acquired 162,095 (2014 nil) shares at a cost of £1,152,000 (2014 nil)

327,130 (2014 460,301) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan

29,460 ordinary shares of £1 each were awarded in relation to the 2014 annual incentive plan

21 CASH GENERATED FROM OPERATIONS

	2015 £'000	2014 £'000
Continuing operations		
Profit for the year	**15,166**	10,811
Adjustments for		
Taxation	**2,672**	3,053
Depreciation	**4,684**	4,127
Amortisation of intangible assets	**3,411**	2,034
Defined benefit pension scheme (credit)/cost	**(318)**	400
Finance income	**(45)**	(1)
Finance costs	**192**	275
Other finance expense	**901**	187
Loss on disposal of intangibles	**-**	149
Loss on disposal of property, plant and equipment	**7**	209
Movement in respect of employee share scheme	**85**	88
(Increase)/decrease in inventories	**(1,264)**	370
Decrease in receivables	**4,225**	1,479
(Decrease)/increase in payables and provisions	**(6,855)**	2,336
Cash generated from continuing operations	**22,861**	25,517
Analysed as.		
Cash generated from continuing operations prior to the effect of exceptional operating items	**24,053**	26,500
Cash effect of exceptional operating items	**(1,192)**	(983)
Discontinued operations		
Loss for the year	**(1,500)**	-
Decrease in payables and provisions	**(29)**	-
Cash used in discontinued operations	**(1,529)**	-
Cash generated from operations	**21,332**	25,517

Cash flows relating to the discontinued operations are as follows

Cash flows from operating activities	**(1,529)**	-
Cash used in discontinued operations	**(1,529)**	-

22 ANALYSIS OF NET (DEBT)/CASH

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

	At 1 Oct 2014 £'000	Cash flow £'000	Acquisitions £'000	Exchange movements £'000	**At 30 Sept 2015 £'000**
Cash at bank and in hand	2,925	(2,710)	20	97	**332**
Overdrafts	-	8	(8)	-	**-**
Net cash and cash equivalents	2,925	(2,702)	12	97	**332**
Debt due in less than 1 year	-	100	(2,324)	(126)	**(2,350)**
Debt due in more than 1 year	-	(10,705)	(277)	(161)	**(11,143)**
	2,925	(13,307)	(2,589)	(190)	**(13,161)**

23 OTHER FINANCIAL COMMITMENTS

	2015 £'000	2014 £000
Capital expenditure committed	**560**	738

Capital expenditure committed represents the amount contracted in respect of property, plant and equipment at the end of the financial year for which no provision has been made in the financial statements

The future aggregate minimum lease payments under non-cancellable operating leases are

	2015 £'000	2014 £000
Within one year	**1,372**	1,983
Between 1 and 5 years	**5,900**	4,024
Later than 5 years	**15,419**	5,755
	22,691	11,762

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

24 SHARE BASED PAYMENTS

The Group operates an equity-settled share-based performance share plan (PSP) Details of the Plan, awards granted and options outstanding are set out in the Remuneration Report on pages 74 and 75 and are incorporated by reference into these financial statements The charge against profit of £85,000 (2014 £88,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions

	2015	2014
Weighted average fair value (£)	**0 48**	0 38
Key assumptions used		
Weighted average share price (£)	**7 28**	5 75
Volatility (%)	**36**	31
Risk-free interest rate (%)	**0 8**	0 9
Expected option term (yrs)	**3 0**	3 0
Divided yield (%)	**0 9**	1 1

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

25 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year (2014 nil) Key management compensation is disclosed in note 9

26 ACQUISITIONS

Hudstar Systems Inc

On 19 June 2015, Avon Protection Systems, Inc acquired 100% of the share capital of Hudstar Systems Inc (Hudstar), a leading US based designer and manufacturer of electronic control systems used in powered air respiratory systems, for consideration of $5,576,000

	Book value £000	Accounting policy alignment £000	Fair value adjustment £000	Provisional Fair value £000
Intangible assets	-	1,536	1,787	3,323
Property, plant and equipment	313	-	-	313
Inventories	454	-	-	454
Trade and other receivables	242	(186)	-	56
Cash and cash equivalents	20	-	-	20
Trade and other payables	(582)	-	-	(582)
Deferred tax liabilities	-	(538)	(625)	(1,163)
Net assets acquired	447	812	1,162	2,421
Goodwill				1,100
Total consideration				3,521

Satisfied by.

Cash at completion	3,205
Deferred/contingent consideration due in future years	316
	3,521

The goodwill is attributable to the acquired workforce and control over key technology providing barriers to entry to competitors

The Directors have reviewed the goodwill for impairment and concluded that the carrying value is recoverable as the fair value less costs to sell exceeds the carrying amount of the net assets and goodwill recognised

Intangible assets comprise development costs (£2 8m), customer relationships (£0 2m) and brands and patents (£0 3m)

The contingent consideration becomes payable over the next ten years, providing certain performance conditions are met, based on both qualitative and quantitative factors The range of outcomes is expected to be between nil and $500,000

Hudstar has not had a material impact on the Group's results in 2015

26 ACQUISITIONS CONTINUED

InterPuls S p A

On 5 August 2015, Avon Rubber Italia S r l acquired 100% of the share capital and shareholder loan notes of InterPuls S p A (InterPuls), an Italian supplier of specialist milking components, for consideration of €25,750,000

	Book value £000	Accounting policy alignment £'000	Fair value adjustment £000	Provisional Fair value £'000
Intangible assets	319	2,243	14,264	16,826
Property, plant and equipment	8,218	-	-	8,218
Inventories	1,569	-	-	1,569
Trade and other receivables	1,395	(70)	-	1,325
Trade and other payables	(2,541)	(321)	-	(2,862)
Bank loans and other borrowings	(2,609)	-	-	(2,609)
Deferred tax liabilities	(318)	(718)	(4,563)	(5,599)
Net assets acquired	6,033	1,134	9,701	16,868
Goodwill				1,101
Total consideration				17,969

Satisfied by

Cash at completion	17,969
	17,969

The goodwill is attributable to sales synergies from integration of distributions channels, access to new markets and the workforce of the acquired businesses

The Directors have reviewed the goodwill for impairment and concluded that the carrying value is recoverable as the fair value less costs to sell exceeds the carrying amount of the net assets and goodwill recognised

Intangible assets comprise customer relationships (£12 1m), development costs (£2 2m), brand (£1 7m), order book (£0 4m) and software and other (£0 4m)

The results of the acquired entity have been included in the Group's consolidated statement of comprehensive income from 6 August 2015 and contributed revenue of £1 0m and profit of nil to the profit for the year

Had InterPuls been consolidated from 1 October 2014, the consolidated statement of comprehensive income would show revenue of £144 8m and profit for the year of £12 9m

27 GROUP UNDERTAKINGS

	Country in which incorporated
Held by Parent Company	
Avon Polymer Products Limited	UK
Avon Rubber Overseas Limited	UK
Avon Rubber Pension Trust Limited	UK
Avon Dairy Solutions (Shanghai) International Trading Company Limited	China
Avon Rubber Italia S r l	Italy
Held by Group undertakings	
Avon Engineered Fabrications, Inc	US
Avon Hi-Life, Inc	US
Avon Protection Systems, Inc	US
Avon Rubber & Plastics, Inc	US
Avon Group Limited	UK
Avon Protection Systems UK Limited	UK
Avon International Safety Instruments, Inc	US
Avon-Dairy America do sul Solucoes Para Ordentia LTDA	Brazil
Interpuls S p A	Italy
Hudstar Systems Inc	US

Shareholdings are ordinary shares and all undertakings are wholly owned by the Group and operate primarily in their country of incorporation

All companies have a year ending in September, except Avon Dairy Solutions (Shanghai) and InterPuls S p A which have a year ending in December For the purpose of the Group accounts the results are consolidated to 30 September

Avon Rubber Pension Trust Limited is a pension fund trustee

Avon Rubber Overseas Limited, Avon Rubber Italia S r l and Avon Rubber & Plastics, Inc are investment holding companies

Hudstar Systems Inc designs and manufactures electronic control systems used in powered air respiratory systems

InterPuls S p A designs and manufactures specialist milking components for use in the dairy industry

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

Avon Polymer Products Limited and Avon Rubber Overseas Limited are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006 ('the Act') All remaining UK subsidiaries are exempt from the requirement to file audited accounts by virtue of section 480 of the Act

28 POST BALANCE SHEET EVENT

On 8 October 2015 the Group acquired the trade and assets of the Argus thermal imaging camera business from e2v technologies plc for consideration of £3 5m

Based in Chelmsford UK, Argus is a leading designer and manufacturer of thermal imaging cameras for the first responder and fire markets and will further strengthen the Group's product range in these markets

Fair value information on the assets acquired is not yet available

Report on the Group financial statements

Our opinion

In our opinion, Avon Rubber p l c's Group financial statements (the "financial statements")

- give a true and fair view of the state of the Group's affairs as at 30 September 2015 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

What we have audited

The financial statements, included within the Annual Report, comprise

- the Consolidated Balance Sheet as at 30 September 2015,
- the Consolidated Statement of Comprehensive Income for the year then ended,
- the Consolidated Cash Flow Statement for the year then ended,
- the Consolidated Statement of Changes in Equity for the year then ended,
- the Accounting Policies and Critical Accounting Judgements, and
- the notes to the financial statements, which include other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements These are cross-referenced from the financial statements and are identified as audited

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union

Our audit approach

Context

The context for our audit was set by Avon Rubber p l c's major activities in 2015 The principal change which affected our audit was the completion by the Group of the acquisitions of InterPuls S p A in Italy and Hudstar Systems Inc in the USA As a result our Group audit involved the work of a new component auditor in Parma, Italy and we focussed on the acquisition accounting for these business combinations

Overview

MATERIALITY

- Overall Group materiality £900,000 which represents 5% of Group profit before taxation

AUDIT SCOPE

- The UK audit team performed an audit of the complete financial information of the two main operating units in the USA (Avon Protection NA and Avon Dairy Solutions NA) and the two main operating units in the UK (Avon Polymer Products Ltd (comprising of Avon Protection UK and Avon Dairy Solutions) and Avon Rubber p l c)
- Taken together, these four reporting units account for 90 0% of Group revenue and £17 2m of the total Group profit before tax
- An audit of the balance sheet of InterPuls S p A, acquired in the year, was performed by our component auditor in Italy
- Specific audit procedures were also performed by the UK audit team on certain other balances and transactions at the remaining six reporting units, including Hudstar Systems Inc

AREAS OF FOCUS

- Provisions for uncertain taxation positions
- Valuation of the Group's net pension deficit
- Intangible assets (development expenditure) impairment assessment
- Adequacy of provisions
- Valuation of intangibles acquired through business combinations
- Risk of fraud in revenue recognition

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)")

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context This is not a complete list of all risks identified by our audit

Area of focus	How our audit addressed the area of focus
Provisions for uncertain tax positions and deferred tax As noted in the critical accounting judgements section on page 86 and included within note 6 there are a number of significant judgements involved in the determination of taxation balances particularly in relation to the recognition of deferred taxation assets in the UK which totalled £4 6m at 30 September 2015 The Group also has a number of material uncertain taxation positions resulting from the interpretation of the impact of the application of tax regulations in certain jurisdictions Management have applied judgement in estimating the likelihood of the future outcome In each case with the provision based on the single most likely outcome Given the number of judgements involved and the complexities of dealing with taxation rules and regulations in different countries and states within the US this was an area of focus for us	We evaluated the directors assessment of the availability of future taxable profits in the UK to determine whether a deferred taxation asset should be recognised, by considering the forecasts of future profits We determined that the director s assessment was reasonable in identifying and recognising deferred taxation assets in relation to the retirement benefit obligation, share options capital allowances and temporary timing differences We assessed the adequacy of the level of provision established in relation to a number of uncertain taxation positions primarily in respect of risks in the US The judgements made by management took account of the level and nature of the risks giving rise to the uncertain tax positions together with their assessment of the likely outcome We considered the judgements made by management to be reasonable based on our understanding of the relevant tax regulations We also obtained the filing positions for each jurisdiction which we read considered in light of our understanding of the business and reconciled to the underlying taxation calculations used to prepare the taxation balances in the financial statements, noting no material differences
Valuation of the Group's net pension deficit We focussed on this area because of the magnitude of the defined benefit pension deficit of £16 6m and the material judgements involved in determining the actuarial assumptions which are set out in note 10 The net pension deficit is subject to the directors' judgements regarding the selection of appropriate actuarial assumptions based on the nature of the scheme including the discount rate, inflation rate and mortality rate, being the assumptions to which the deficit is most sensitive A change in each of these assumptions bv 0 25% can cause a material change in the value of the underlying pension deficit (as highlighted on page 99) The directors employed an independent actuary to assist them with the valuation of the deficit	We used our actuarial experts to assess the methodology adopted bv the directors and their actuary to determine the net pension deficit We concluded that the requirements of IAS 19 Employee benefits had been applied We also used our actuarial experts to assess the reasonableness of the key actuarial assumptions selected by comparing these to our own independent benchmark ranges based on our assessment of current market conditions and available actuarial data We noted that the discount rate inflation rate and mortality rate were within our acceptable range We considered the competence and objectivity of the directors independent actuary including the experience and reputation of the firm together with the length of service We were satisfied that the actuary was competent and objective We evaluated whether the directors judgements and assumptions had been made on a consistent basis including in comparison to prior financial years We also assessed the actuary's valuation by obtaining supporting evidence for the each of the key inputs into the overall pension deficit calculation including independently agreeing changes in membership census data to pension scheme records and agreeing the scheme asset values to independent sources such as fund manager confirmations and/or quoted market prices where available noting no exceptions
Intangible assets (development expenditure) impairment assessment We focussed on this area because of the magnitude of capitalised development expenditure of £16 2m and the risk that amounts may not be recoverable if estimated future sales orders cannot be delivered or regulatory approvals are not obtained This risk is set out in the critical accounting judgments on page 86 and the amounts capitalised are included in note 11 In particular we focussed on the capitalised development costs relating to the PAPR and EEBD Protection & Defence products given the amounts held in the balance sheet and the stage of their development These products are described on page 15	We tested a sample of capitalised development costs against the criteria set out in IAS38 Intangible assets' including the technical feasibility and the viability of the completion of the projects and the ability for the projects to generate future economic benefits and gain necessary regulatory approvals We met with key operational personnel to update our understanding of the status of major projects and assessed the process and governance which have been put in place around project approval, authorisation and ongoing monitoring We considered that these processes were appropriate We assessed individually each of the major projects for indicators of impairment such as an inability to obtain regulatory approval or not achieving forecast sales orders In respect of PAPR CE (European) approval was obtained during the year whilst NIOSH approval was obtained for EEBD in the prior year As a result of our work we determined that the judgement by management that no impairment was required for these and other major development projects was reasonable

Area of focus	How our audit addressed the area of focus
Adequacy of working capital and other provisions The directors review year end working capital balances specifically inventory, trade receivables and accruals for product returns in each of the operating units and apply judgement in making provisions to adjust the carrying value of those assets to the directors view of their recoverable amount In addition, provisions are made for contractual obligations such as onerous lease arrangements and dilapidation provisions where the directors believe that the likelihood of settlement is probable We focused on the above due to the degree of judgement the directors have to apply in determining the amount of provision required and taking into consideration the aggregation of provisions across the individual operating locations	We evaluated whether provisions were made on a consistent basis and in line with the Group's accounting policies We obtained evidence over the recoverability of material trade receivables including assessing the ageing analysis and the extent of cash collected post-year end and assessed the directors' assumptions over the need to provide for potentially irrecoverable amounts We attended physical inventory counts at a variety of locations where material levels of inventory were held to assess the physical condition of inventory held We performed testing of the net realisable value of inventory by comparing carrying amounts to sales values We also considered the adequacy of inventory provisioning by reviewing the ageing of inventory held at 30 September 2015 We also assessed the adequacy of property related provisions by confirming the dilapidation obligations for each of the leasehold properties within the Group to the relevant lease documentation together with evaluating the directors assessment of the dilapidation expenditure to be incurred In addition we assessed the onerous lease obligations in relation to certain vacant properties in the UK by considering the lease cost over the onerous commitment period of the lease We concluded from our work that provisions had been determined on a consistent basis and that the judgements made by the directors were reasonable
Valuation of intangibles acquired through business combinations The Group acquired two new subsidiaries in the year the larger of which was InterPuls S p A with consideration of £18 0m and Hudstar Systems Inc., with consideration of £3 5m as set out in note 26 The acquisitions were accounted for as business combinations which required a number of judgements to be made by the directors in the determination of the fair value of the intangible assets as set out in the critical accounting estimates on page 86 The intangible assets identified comprised customer relationships, development costs brands and order book The valuation of each of these assets was judgemental as valuation techniques were used to measure them The allocation also considered the fair values of property, plant and equipment inventory trade and other receivables, liabilities and taxation	We evaluated whether the acquired companies met the definition of a business combination in line with IFRS 3 and concluded that they did as the entire share capital was acquired in each case We assessed the methodology adopted by the directors in calculating the fair value of each of the assets acquired We used our valuations experts to assist us in making this assessment and concluded that the methods used were acceptable The two most significant intangible assets were customer relationships and development costs In respect of customer relationships we considered the directors cash flow forecasts attributable to the customers of the acquired companies together with the assumed life of the relationships and the discount rate applied In respect of development costs we evaluated the calculations prepared by the directors of the historical development expenditure incurred and expensed by the acquired companies that would have been capitalised had the Group s accounting policy of capitalisation been applied We considered that the approach taken was reasonable We obtained evidence of the purchase consideration and recalculated the goodwill resulting from both of the business combinations
Risk of fraud in revenue recognition We focused on this area as judgements are made by the directors in determining whether provisions should be made against revenue on certain contractual arrangements in the US Protection and Defence business The directors made an estimate of amounts which could be due back to customers reflecting the risks inherent within the performance of the contracts over a number of years	We obtained the calculations of contractual revenue provisions and evaluated the directors' assessment of the risk of claw back based on our independent reading of the relevant contractual terms and the revenue recognised In doing so, we concluded that the Group recognised revenue in line with their contractual obligations and their revenue recognition accounting policy

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates

The Group comprises two divisions, being Protection & Defence and Dairy and we focused our audit work on the Group's largest operating units, within these divisions, in the USA and UK The UK audit team conducted an audit of the complete financial information of four operating units (the two largest in the USA, and two largest in the UK) due to their size and risk characteristics

Taken together, these four operating units where we performed audit work accounted for approximately 90% of Group revenues and £17 2m of Group profit before taxation

Specific audit procedures were also performed by the UK team on certain balances and transactions material to the Group financial statements at the remaining reporting units The Parent Company's complete financial information was also subject to audit

PwC Italy acted as component auditors for the audit of the balance sheet of InterPuls S p A , acquired in the year and located in Italy We formally instructed the component auditors and determined the scope of the work performed by them including the materiality applied in their testing We also considered the output of their audit work and held a clearance meeting with them to discuss the audit findings from the procedures that they performed

The procedures set out above, together with additional procedures performed at the Group level over centralised processes and functions, including the audit of consolidation journals, gave us the evidence we needed for our opinion on the Group financial statements as a whole

Materiality

The scope of our audit was influenced by our application of materiality We set certain quantitative thresholds for materiality These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows

Overall Group materiality	£900,000 (2014 £815,000)
How we determined it	5% of Group profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £45,000 (2014 £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons

Going concern and longer term viability statements reporting

Under the Listing Rules we are required to review the directors' statement, set out on page 52, in relation to going concern We have nothing to report having performed our review

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements We have nothing material to add or to draw attention to

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed As part of our audit we have concluded that the directors' use of the going concern basis is appropriate

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion	
■ information in the Annual Report is – materially inconsistent with the information in the audited financial statements, or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or – otherwise misleading	We have no exceptions to report
■ the statement given by the directors on page 47, in accordance with provision C 1 1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit	We have no exceptions to report
■ the section of the Annual Report on page 52, as required by provision C 3 8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee	We have no exceptions to report

The directors' assessment of the prospects of the Group and the principal risks that would threaten the solvency or liquidity of the Group Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to	
■ the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity	We have nothing material to add or to draw attention to
■ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated	We have nothing material to add or to draw attention to
■ the directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions	We have nothing material to add or to draw attention to
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group, set out on page 52 Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements, checking that the statements are in alignment with the relevant provisions of the Code, and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit	We have nothing to report having performed our review

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the UK Corporate Governance Code We have nothing to report having performed our review

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Other matter

We have reported separately on the parent company financial statements of Avon Rubber p l c for the year ended 30 September 2015 and on the information in the Directors' Remuneration Report that is described as having been audited

Colin Bates
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 November 2015

Report on the Parent Company financial statements

Our opinion

In our opinion, Avon Rubber p l c 's parent company financial statements (the "financial statements")

- give a true and fair view of the state of the parent company's affairs as at 30 September 2015,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements, included within the Annual Report, comprise

- the Parent Company Balance Sheet as at 30 September 2015
- the Parent Company accounting policies, and
- the notes to the Parent Company financial statements, which include other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements These are cross-referenced from the financial statements and are identified as audited

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is

- materially inconsistent with the information in the audited financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit, or
- otherwise misleading

We have no exceptions to report arising from this responsibility

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Other matter

We have reported separately on the Group financial statements of Avon Rubber p l c. for the year ended 30 September 2015

Colin Bates
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 November 2015

PARENT COMPANY BALANCE SHEET

AT 30 SEPTEMBER 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed Assets					
Tangible assets	4		**51**		346
Investments	5		**64,219**		75,540
			64,270		75,886
Current assets - debtors	7	**77,138**		56,600	
Creditors - amounts falling due within one year	8	**2,616**		6,573	
Net current assets			**74,522**		50,027
Total assets less current liabilities			**138,792**		125,913
Creditors - amounts falling due after more than one year					
Bank loans and overdrafts	9	**8,748**		-	
Provisions for liabilities	10	**1,722**		2,211	
			10,470		2,211
Net assets			**128,322**		123,702
Capital and reserves					
Share capital	11		**31,023**		31,023
Share premium account	12		**34,708**		34,708
Capital redemption reserve	12		**500**		500
Profit and loss account	12		**62,091**		57,471
Total shareholders' funds	13		**128,322**		123,702

These financial statements on pages 127 to 136 were approved by the Board of Directors on 17 November 2015 and were signed on its behalf by

David Evans

Andrew Lewis

Accounting policies

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

Basis of preparation

The accounts have been prepared on a going concern basis and in accordance with the Companies Act 2006 and with all applicable accounting standards in the United Kingdom (UK GAAP) on the going concern basis and under the historical cost convention except for financial assets and liabilities (including derivative instruments) held at fair value through profit and loss

The Company does not publish its own cash flow statement, as its cash flows are included within the consolidated cash flow statement of the Group

Foreign currencies

The Company's functional currency is sterling Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Impairment of fixed assets

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed assets may not be recoverable If the carrying amount exceeds its recoverable amount (being the higher of the value in use and the net realisable value) then the fixed asset is written down accordingly Where recoverable amounts are based on value in use, discount rates of typically between 8% and 12% are used depending on the risk attached to the underlying asset

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment Impairment reviews are performed by the Directors when there has been an indication of potential impairment

Leased assets

Operating lease rentals are charged against profit over the term of the lease on a straight line basis

Pensions

The Company operated a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Rubber p l c and its Group undertakings in the UK employed prior to 31 January 2003 The scheme is closed to new entrants and was closed to future accrual of benefits from 1 October 2009 Scheme assets are measured using market values while liabilities are measured using the projected unit method The multi-employer exemption has been taken as the Company is unable to identify its share of the underlying assets and liabilities and no asset or provision has been reflected in the parent company's balance sheet for any surplus or deficit arising in respect of pension obligations

The Company also provides pensions by contributing to defined contribution schemes The charge in the profit and loss account reflects the contributions paid and payable to these schemes during the period Full disclosures of the UK pension schemes have been provided in the Group financial statements

Provisions for liabilities

Provisions are recognised when a liability exists at the year end that can be measured reliably, there is an obligation to one or more third parties as a result of past transactions or events and there is an obligation to transfer economic benefits in settlement

Provisions are calculated based on management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, after due consideration of the risks and uncertainties that surround the underlying event Provision for reorganisation costs are made where a detailed plan has been approved and an expectation has been raised in those affected by the plan that the Company will carry out the reorganisation

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

Tangible fixed assets

Tangible fixed assets are stated at cost, less amounts provided for depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Plant and machinery is depreciated using the straight line method at lives varying between 5 to 10 years

Related parties

The Company has taken advantage of the dispensation under FRS 8, 'Related Party Disclosures', not to disclose transactions or balances with other Group companies

Share based payment

The Company operates a number of equity-settled, share-based compensation plans The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any, in the profit and loss account The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

Debtors

Debtors are initially recognised at fair value and subsequently measured at amortised cost after deduction of provisions for impairment of receivables

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) If not, they are presented as amounts falling due after more than one year They are initially recognised at fair value and subsequently measured at amortised cost

Borrowings

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

Financial instruments

As permitted by FRS 29, 'Financial Instruments Disclosures' the Company has elected not to present the disclosures required by FRS 29 in the notes to its individual financial statements as full equivalent disclosures are presented in the consolidated financial statements

Dividends

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

Share Capital

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

Where the Company purchases its own share capital (treasury shares) through Employee Share Ownership Trusts, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' funds

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 PARENT COMPANY

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent company is omitted from the accounts by virtue of section 408 of the Companies Act 2006 The parent company's profit for the financial year was £6,690,000 (2014 £6,637,000)

The audit fee in respect of the parent company was £30,000 (2014 £30,000)

2 DIVIDENDS

On 29 January 2015, the shareholders approved a final dividend of 3 74p per qualifying ordinary share in respect of the year ended 30 September 2014 This was paid on 20 March 2015 absorbing £1,127,000 of shareholders' funds

On 29 April 2015, the Board of Directors declared an interim dividend of 2 43p (2014 1 87p) per qualifying ordinary share in respect of the year ended 30 September 2015 This was paid on 4 September 2015 absorbing £732,000 (2014 £560,000) of shareholders' funds

After the balance sheet date the Board of Directors proposed a final dividend of 4 86p per qualifying ordinary share in respect of the year ended 30 September 2015, which will absorb an estimated £1,464,000 of shareholders' funds Subject to shareholder approval, the dividend will be paid on 18 March 2016 to shareholders on the register at the close of business on 19 February 2016 In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences

3 EMPLOYEES

The total remuneration and associated costs during the year were.

	2015 £'000	2014 £ 000
Wages and salaries	**2,408**	2,441
Social security costs	**279**	300
Other pension costs	**388**	145
Share based payments	**85**	88
	3,160	2,974

Detailed disclosures of Directors' remuneration and share options are given on pages 71 to 77 of the Annual Report and Accounts

The average monthly number of employees (including Executive Directors) during the year was 7 (2014 7), all of whom were classified as administrative staff

4 TANGIBLE ASSETS

	Plant and machinery £ 000
Cost	
At 1 October 2014	672
Additions at cost	123
Disposals	(7)
Transfers to other Group companies	(377)
At 30 September 2015	**411**
Accumulated depreciation	
At 1 October 2014	326
Charge for the year	34
At 30 September 2015	**360**
Net book amount at 30 September 2015	**51**
Net book amount at 30 September 2014	346

5 INVESTMENTS

	Investment in subsidiaries £'000
Cost and net book value	
At 1 October 2014	75,540
Investment in Avon Rubber Italia srl	7
Reduction in investment in Avon Rubber Overseas Limited	(11,345)
Investment in Avon-Dairy America do sul Solucoes Para Ordentia LTDA	17
At 30 September 2015	**64,219**

The Directors believe that the carrying value of the investments is supported by their underlying net assets

The investments consist of a 100% (unless indicated as otherwise) interest in the following subsidiaries

	Principal activity	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of rubber and polymer based products	UK
Avon Rubber Overseas Limited	Investment company	UK
Avon Rubber Pension Trust Limited	Pension Fund Trustee	UK
Avon Dairy Solutions (Shanghai) International Trading Company Limited	Trading company	China
Avon Rubber Italia srl	Investment company	Italy
Avon-Dairy America do sul Solucoes Para Ordentia LTDA (1%)	Trading company	Brazil

Details of investments held by these subsidiaries are given in note 27 to the Group accounts on page 117

6 OTHER FINANCIAL COMMITMENTS

	2015 £'000	2014 £000
Capital expenditure committed	-	-

Capital expenditure committed represents the amount contracted at the end of the financial year for which no provision has been made in the financial statements

The annual commitments of the Company for non-cancellable operating leases are

	2015 Land and buildings £'000	2014 Land and buildings £000
For leases expiring		
Within 1 year	-	-
In 2-5 years	-	814
Over 5 years	**967**	153
	967	967

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

7 DEBTORS

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	**75,402**	54,317
Trade debtors	**37**	-
Other debtors	**577**	1,948
Prepayments	**316**	335
Deferred tax asset	**806**	-
	77,138	56,600

In 2014, other debtors included £956,000 in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK, which has since been repaid The remaining balance comprises sundry receivables

8 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Bank overdrafts	**-**	38
Amounts due to Group undertakings	**-**	4,040
Other creditors	**40**	43
Accruals	**2,576**	2,452
	2,616	6,573

9 BANK LOANS AND OVERDRAFTS

	2015 £'000	2014 £000
Current		
Bank overdrafts	-	38
Non-current		
Bank loans	**8,748**	-
Total bank loans and overdrafts	**8,748**	38

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

	2015 £'000	2014 £000
In one year or less or on demand	-	38
Between two and five years	**8,748**	-
	8,748	38

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

	2015 £'000	2014 £000
Sterling	**2,155**	38
US dollars	**6,593**	-
	8,748	38

On 9 June 2014 the Company agreed new bank facilities with Barclays Bank and Comerica Bank The combined facility comprises a revolving credit facility of $40m and expires on 30 November 2018 This facility is priced on the dollar LIBOR plus a margin of 1 25% and includes financial covenants which are measured on a quarterly basis The Company was in compliance with its financial covenants during 2015 and 2014

The Company has provided the lenders with a negative pledge in respect of certain shares in Group companies

10 PROVISIONS FOR LIABILITIES

	Property obligations £ 000
Balance at 1 October 2013	2,613
Charged in the year	408
Unwinding of discount	175
Payments in the year	(985)
Balance at 30 September 2014	2,211
Charged in the year	**1,500**
Unwinding of discount	**247**
Payments in the year	**(2,236)**
Balance at 30 September 2015	**1,722**

Analysis of provisions	**2015 £'000**	2014 £ 000
Non-current	**867**	1,129
Current	**855**	1,082
	1,722	2 211

Property obligations relate to an onerous lease provision in respect of unutilised space at the Company's leased Hampton Park West facility in the UK and former premises of the Company which are subject to dilapidation risks All are expected to be utilised within the next fifteen years Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords

11 CALLED UP SHARE CAPITAL

	2015 £'000	2014 £'000
Called up, allotted and fully paid ordinary shares of £1 each		
31,023,292 (2014 31,023,292) ordinary shares of £1 each	**31,023**	31,023

During 2014, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p l c Employee Share Ownership Trust No 1

12 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £000	Capital redemption reserve £'000	Profit and loss account £000	Total £000
At 1 October 2013	34,708	500	52,468	87,676
Retained profit for the year	-	-	5,215	5,215
Purchase of shares by the employee benefit trust	-	-	(300)	(300)
Movement in respect of employee share scheme	-	-	88	88
At 30 September 2014	34,708	500	57,471	92,679
Retained profit for the year	-	-	**4,831**	**4,831**
Deferred tax recognised in respect of employee share schemes	-	-	**675**	**675**
Movement in shares held by the employee benefit trust	-	-	**(971)**	**(971)**
Movement in respect of employee share scheme	-	-	**85**	**85**
At 30 September 2015	**34,708**	**500**	**62,091**	**97,299**

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £'000	2014 £000
At the beginning of the year	**123,702**	118,399
Profit for the financial year attributable to equity shareholders	**6,690**	6,637
Deferred tax recognised in respect of employee share schemes	**675**	-
Dividends paid	**(1,859)**	(1,422)
Movement in shares held by the employee benefit trust	**(971)**	-
Movement in respect of employee share scheme	**85**	88
At 30 September	**128,322**	123,702

During 2014, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p l c Employee Share Ownership Trust No 1

At 30 September 2015 887,315 (2014 1,081,810) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan Dividends on these shares have been waived The market value of the shares held in the trust at 30 September 2015 was £8,110,000 (2014 £6,659,000) These shares are held at cost as treasury shares and deducted from shareholders' equity

During 2015 the trust acquired 162,095 (2014 nil) shares at a cost of £1,152,000 (2014 nil)

327,130 (2014 460,301) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan

29,460 ordinary shares of £1 each were awarded in relation to the 2014 annual incentive plan

14 SHARE BASED PAYMENTS

The Company operates an equity-settled share-based performance share plan (PSP) Details of the Plan, awards granted and options outstanding are set out in the remuneration report on pages 74 and 75 and are incorporated by reference into these financial statements The charge against profit of £85,000 (2014 £88,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions

	2015	2014
Weighted average fair value (£)	**0 48**	0 38
Key assumptions used		
Weighted average share price (£)	**7 28**	5 75
Volatility (%)	**36**	31
Risk-free interest rate (%)	**0 8**	0 9
Expected option term (yrs)	**3 0**	3 0
Dividend yield (%)	**0 9**	1 1

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

FIVE YEAR RECORD

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 £'000	2014 £000	2013 £000	2012 £000	2011 £000
Revenue	**134,318**	124,779	124,851	106,636	107,600
Operating profit before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension costs	**20,215**	17,003	14,223	11,621	11,136
Amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme costs	**(1,329)**	(2,678)	(1,220)	-	-
Operating profit	**18,886**	14,325	13,003	11,621	11,136
Net finance costs and other finance expense	**(1,048)**	(461)	(600)	(616)	(924)
Profit before taxation	**17,838**	13,864	12,403	11,005	10,212
Taxation	**(2,672)**	(3,053)	(3,566)	(3,176)	(3,094)
Profit for the year from continuing operations	**15,166**	10,811	8,837	7,829	7,118
Discontinued operations - loss for the year	**(1,500)**	-	-	-	-
Profit attributable to equity shareholders	**13,666**	10,811	8,837	7,829	7,118
Ordinary dividends	**(1,859)**	(1,422)	(1,132)	(941)	(706)
Retained profit	**11,807**	9,389	7,705	6,888	6,412
Intangible assets and property, plant and equipment	**69,521**	36,815	36,928	31,159	27,187
Working capital	**10,176**	7,439	11,512	9,278	11,714
Provisions	**(2,567)**	(3,819)	(2,613)	(2,993)	(3,208)
Pension (liability)/asset	**(16,605)**	(16,029)	(11,279)	(2,238)	280
Net deferred tax liability	**(5,160)**	(2,315)	(2,977)	(2,584)	(2,985)
Net (borrowings)/cash	**(13,161)**	2,925	(10,875)	(8,725)	(11,816)
Net assets employed	**42,204**	25,016	20,696	23,897	21,172
Financed by					
Ordinary share capital	**31,023**	31,023	30,723	30,723	30,723
Reserves attributable to equity shareholders	**11,181**	(6,007)	(10,027)	(6,826)	(9,551)
Total equity	**42,204**	25,016	20,696	23,897	21,172
Basic earnings per share	**45 4p**	36 2p	30 0p	26 9p	25 2p
Adjusted basic earnings per share	**56 1p**	43 7p	33 8p	26 9p	25 2p
Dividends per share paid in cash	**6.17p**	4 75p	3 84p	3 2p	2 5p

2011 and 2012 are as presented in the consolidated financial statements for those years

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
If you are in any doubt as to what action you should take you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000

If you have sold or transferred all of your shares in Avon Rubber p l c please forward this document, together with the accompanying documents as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares

Notice of Annual General Meeting for the year ended 30 September 2015

Notice is hereby given that the annual general meeting ('AGM') of shareholders of Avon Rubber p l c (the 'Company') will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 26 January 2016 at 10 30 a m for the following purposes -

Ordinary Business

To consider and, if thought fit, pass resolutions 1- 8 (inclusive) as Ordinary Resolutions

Resolution 1

To receive the Company's accounts and the reports of the Directors and the Auditors for the year ended 30 September 2015

Resolution 2

To approve the Remuneration Policy set out in the Directors' Remuneration Report for the year ended 30 September 2015

Resolution 3

To approve the Directors' Remuneration Report (other than the part containing the Remuneration Policy referred to in Resolution 2 above) for the year ended 30 September 2015

Resolution 4

To declare a final dividend of 4 86p per ordinary share as recommended by the Directors

Resolution 5

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

Resolution 6

To re-appoint Pim Vervaat as Director who has been appointed since the last AGM

Resolution 7

To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company

Resolution 8

To authorise the Directors to determine the auditors' remuneration

Special Business

To consider and if thought fit, pass resolutions 9-12 (inclusive) as Ordinary Resolutions and resolutions 13-15 (inclusive), as Special Resolutions

Resolution 9

That the proposed amendments to the Avon Rubber p l c 2010 Performance Share Plan be and are hereby approved and the Directors be authorised to do all acts and things necessary or appropriate to give effect to the proposed amendments

Resolution 10

That the Avon Rubber p l c 2015 Share Option Plan (the 'Plan'), the principal features of which are summarised in Appendix 1 to this Notice, to be constituted in the form of the rules produced in draft to the meeting and signed by the Chairman for the purposes of identification, be and the same is hereby approved, and the Directors be and they are hereby authorised

(a) to do all acts and things as may be necessary to carry the same into effect, including the making of any amendments to the rules of the Plan as may be necessary or appropriate to (a) take account of the UK Listing Authority and best practice or (b) ensure compliance of the Plan with the provisions of Schedule 4, Income Tax (Earnings and Pensions) Act 2003, and
(b) at their discretion to adopt equivalent plans for employees of the Company and its subsidiaries located in overseas jurisdictions subject to such modifications to take into account, local tax, exchange control, securities laws or other regulatory issues as they consider appropriate

Resolution 11

That the Avon Rubber p l c 2015 US Stock Option Plan (the 'US Stock Option Plan'), the principal terms of which are summarised in Appendix 2 to this Notice, to be constituted in the form of the rules produced in draft to the meeting and signed by the Chairman for the purposes of identification, be and the same are hereby approved, and the Directors be and they are hereby authorised to do all acts and things as may be necessary to carry the same into effect, including the making of any amendments to the rules of the US Stock Option Plan as may be necessary or appropriate to (a) obtain approval to the US Stock Option Plan or to ensure compliance with Section 422 of the US Internal Revenue Code 1986, as amended or (b) meet any relevant local securities law, tax and exchange control requirements

Resolution 12

That in accordance with section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,341,097 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities

Resolution 13

That, subject to the passing of Resolution 12, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 12 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall

(a) be limited to the allotment of equity securities up to an aggregate nominal amount of £1,551,164, and

(b) expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

Resolution 14

That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act to make market purchases (within the meaning of 693(4) of the Act) of ordinary shares of £1 each in the capital of the Company provided that

(a) the maximum number of shares which may be purchased is 4,653,492,

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

(c) the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to the higher of

  (i) 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the Official List of the London Stock Exchange for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased, and

  (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of the Company's ordinary shares on the London Stock Exchange Official List at the time the purchase is agreed, and

(d) this authority shall expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time

Resolution 15

That a general meeting of the Company (other than an annual general meeting), may be called on not less than 14 clear days' notice

By order of the Board

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
17 November 2015

Notes

(1) Information regarding the annual general meeting (the 'AGM') including the information required by section 311A of the Act, is available at www avon-rubber com

(2) A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the AGM Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person

(3) A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll A member can appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attaching to different shares held by him In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods
   (i) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU,
   (ii) via www capitashareportal com, or
   (iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

and in each case must be received by the Company not less than 48 hours before the time of the AGM

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual (available from https//euroclear com) CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual Regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy the message must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in this Notice For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001 CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

(4) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Act ('nominated persons') Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights

(5) In order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6 00 pm on 22 January 2016 (or 6 00 pm on the date two days before any adjourned meeting, ignoring non-working days) Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the AGM

(6) To change your proxy instructions simply submit a new proxy appointment using the methods set out above Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded

(7) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share

(8) Under section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the AGM unless
   (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information,
   (ii) the answer has already been given on a website in the form of an answer to a question, or
   (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered

(9) Appointment of proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior)

(10) Termination of proxy appointments

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice

In either case, the revocation notice must be received by the Company's registrars, Capita Asset Services Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 22 January 2016 at 10 30 am

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid

Appointment of a proxy does not preclude you from attending the AGM and voting in person If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated

(11) Biographical details of the Directors are shown on page 43 of the Annual Report

(12) The issued share capital of the Company as at 17 November 2015 was 31,023,292 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company

(13) The following documents are available for inspection at the registered office of the Company and, where required, the office of TLT LLP at 20 Gresham Street, London, EC2V 7JE during normal business hours on any weekday until the close of the AGM and will be available at the place of the AGM from 15 minutes before the AGM until it ends

- (i) the Register of Directors' interests showing any transactions of Directors and their family interests in the share capital of the Company; and
- (ii) copies of all contracts of service under which the executive Directors of the Company are employed by the Company or any of its subsidiaries,
- (iii) copies of the letters of appointment of the non-executive Directors of the Company,
- (iv) the full text of the rules of the Avon Rubber p l c 2010 Performance Share Plan as amended, and
- (v) the full text of the Avon Rubber p.l c 2015 Share Option Plan and the Avon Rubber p l c 2015 US Stock Option Plan

(14) Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the members subject all messages to virus checking procedures prior to use Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted

(15) Pursuant to Chapter 5 of Part 16 of the Act (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out below the Company must publish on its website, a statement setting out any matter that such members propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM Where the Company is required to publish such a statement on its website

- (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request,
- (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website, and
- (iii) the statement may be dealt with as part of the business of the AGM

The request

- (i) may be in hard copy form or in electronic form (see below),
- (ii) either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported,
- (iii) must be authenticated by the person or persons making it (see below), and
- (iv) must be received by the Company at least one week before the AGM

In order to be able to exercise the members' right to require the Company to publish audit concerns the relevant request must be made by

- (i) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or
- (ii) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital each and may be made by
  - a hard copy request which is signed by the member or members concerned, stating their full names and addresses and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB
  - a request which is signed by the member or members concerned, stating their full names and addresses and is sent by fax to 01225 896898 marked for the attention of the Company Secretary
  - a request which states the full names and addresses of the member or members concerned, sent by email to miles ingrey-counter@avon-rubber com

(16) Pursuant to sections 338 and 338A of the Act, a members or members meeting the qualification criteria set out below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the AGM or require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business

The conditions are that

- (i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise)
- (ii) The resolution or the matter of business must not be defamatory of any person, frivolous or vexatious

The Company is required to give notice of a resolution or the matter of business once it has received requests that it do so from

- (i) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or
- (ii) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital each and may be made by
- - a hard copy request which is signed by the member or members concerned, stating their full names and addresses and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB
- - a request which is signed by the member or members concerned, stating their full names and addresses and is sent by fax to 01225 896898 marked for the attention of the Company Secretary
- - a request which states the full names and addresses of the member or members concerned, sent by email to miles ingrey-counter@avon-rubber com

The request

- (i) for a resolution, must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported,
- (ii) for a matter of business, must identify the matter of business by either setting out the matter for business in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported, and
- (iii) must be received by the Company not later than 6 weeks before the date of the AGM

Explanatory notes

The Board believes that the adoption of resolutions 1 to 15 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole The Board unanimously recommends that all shareholders should vote in favour of all the resolutions to be proposed at the AGM Each of the Directors of the Company intends to vote in favour of all resolutions in respect of their own beneficial holdings

Resolution 1 – Report and Accounts

The Directors are required by law to present to the AGM the accounts, and the reports of the Directors and Auditors, for the year ended 30 September 2015 These are contained in the Company's 2015 Annual Report

Resolution 2&3 - Directors' Remuneration Report

Resolution 2, in accordance with the Companies Act 2006, requests approval of the Company's forward looking revised Remuneration Policy The proposed revised policy is set out on pages 56 to 77 of the Annual Report The Company is required to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case the Company will propose a similar resolution at least every three years The Company's previous Remuneration Policy was approved by shareholders at the 2014 AGM Subject to shareholder approval, the revised Directors' Remuneration Policy Report will take effect from 26 January 2016 (the date of the AGM)

Resolution 3 seeks approval for the Directors Remuneration Report for the year ended 30 September 2015 This is contained on pages 56 to 77 of the Annual Report The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed

Resolution 4 – Declaration of a dividend

A final dividend can only be paid after the shareholders have approved it at a general meeting If the meeting approves this Resolution, a final dividend in respect of the financial year ended 30 September 2015 of 4 86p will be paid

Resolutions 5&6 – Election and re-election of Directors

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

Pim Vervaat was appointed as a Director with effect from 1 March 2015 and in accordance with the Company's Articles, retires at this year's AGM and Resolution 6 proposes his re-appointment

Resolution 7&8 – Re-appointment and remuneration of Auditors

Resolutions 7&8 propose the re-appointment of PricewaterhouseCoopers LLP as Auditor of the Company and authorise the Directors to set their remuneration

Resolution 9 – Approval of amendments to the Avon Rubber p l c 2010 Performance Share Plan

Resolution 9 proposes certain amendments to the Performance Share Plan

As noted in the Company's revised Remuneration Policy, it is proposed that the 'normal' award level under the Plan Rules should remain capped at 100% of annual salary per year but that the overall cap should be increased to 200% of salary so that 'special' awards may be made in excess of the normal level in exceptional circumstances Awards above normal levels will only be made if an appropriate business challenge warrants such treatment (e g a major acquisition or strategic initiative) and will be subject to stretching performance conditions and made within existing dilution limits These are likely to be a more challenging version of the existing TSR/EPS conditions, but the Committee may decide to use a different financial performance condition if appropriate in the circumstances An additional 2 year holding period will be introduced following the 3 year performance period for any special awards made in excess of 100% of salary The current shareholding guidelines will remain in place for awards of up to 100% of salary

It is also proposed that an amendment be made to the provisions in the Performance Share Plan dealing with departing executives, by introducing a 'clean break' option The Committee already has discretion to allow 'good leaver' status on a case by case basis (where it deems it appropriate and in the best interests of the Company) but for added flexibility, it is proposed that the rules of the Performance Share Plan are amended to allow early vesting to be triggered at the point of leaving by reference to performance at that date, rather than vesting being determined as at the end of the performance period This, in turn, will introduce flexibility around the Committee's strategy for managing an exit, for example to offset cash compensation by allowing earlier vesting

Resolution 10 – Approval of the Avon Rubber p l c Company Share Option Plan

Resolution 10 proposes that a new share option plan, the Avon Rubber p l c 2015 Share Option Plan (the 'UK Share Option Plan'), be introduced The UK Share Option Plan is intended to benefit junior management within the Company Directors and senior management of the Company will not be eligible to participate

The basis of the UK Share Option Plan, the principal features of which are summarised in Appendix 1, takes the form of a tax approved plan with a non-approved schedule This allows each participant to receive an option on a tax approved basis over shares in the Company worth up to a market value of £30,000 (with the balance of any award being made under the non-approved schedule) The Share Option Plan reflects current best practice by allowing for the phased annual granting of options subject, in normal circumstances, to an annual individual participation limit of one times salary in respect of all options and other equity based awards (other than deferred bonus) granted to a participant in that year

Resolution 11 - Approval of the Avon Rubber p.l c 2015 US Stock Option Plan

Resolution 11 proposes that the Company adopt the Avon Rubber p l c 2015 US Stock Option Plan (the 'US Stock Option Plan') under which Incentive Stock Options ('US ISO') and Non Qualified Options ('US NSO') can be granted, as a Schedule to Part B of the UK Share Option Plan The US Stock Option Plan allows the Company to extend the participation in the UK Share Option Plan to US employees within the Company's group The US ISO allows the Company to grant tax efficient options to employees on a basis approved by the US Internal Revenue Service The basis of the US Stock Option Plan, the principal features of which are summarised in Appendix 2, is to provide options to US junior management employees, taking into account differences between UK and US standard market practice, on similar terms to those under the UK Share Option Plan

Resolution 12 – Directors' authority to allot

This Resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Act The authority granted at the last annual general meeting is due to expire at the conclusion of this year's AGM and accordingly it is proposed to renew this authority This Resolution will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,341,097, which is equal to approximately one-third of the issued share capital of the Company as at 17 November 2015

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

The authority granted by this resolution will expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company

In this resolution, Relevant Securities means

(i) shares in the Company other than shares allotted pursuant to
  - an employee share scheme (as defined by section 1166 of the Act),
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security, or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security, and

(ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act) References to the allotment of Relevant Securities in this resolution include the grant of such rights

Resolution 13 – Disapplication of pre-emption rights

This Resolution will, if passed give the Directors power, pursuant to the authority to allot granted by Resolution 12, to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 17 November 2015 and renews the authority given at the AGM in 2015

In compliance with the guidelines issued by the Pre-Emption Group, the Directors, will ensure that, other than in relation to a rights issue, no more than 7 5% of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance

The power granted by this Resolution will expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company

Resolution 14 – Authority to purchase own shares

This Resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution If passed, the resolution gives authority for the Company to purchase up to 4,653,492 ordinary shares of £1 each, representing just under 15% of the Company's issued ordinary share capital as at 17 November 2015

The Resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority The authority will expire on the earlier of the date 15 months after the date of this Resolution and the company's next AGM

As of 17 November 2015 there were options to subscribe outstanding over 754,478 ordinary shares, representing 2 43% of the Company's ordinary issued share capital If the authority given by Resolution 14 were to be fully exercised, these options would represent 2 86% of the Company's ordinary issued share capital after cancellation of the re-purchased shares As of 17 November 2015 there were no warrants outstanding over ordinary shares

The Directors intend to exercise the power given by Resolution 14 only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the earnings per ordinary share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly

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

In the opinion of the Directors, Resolution No 14 is in the best interests of the shareholders as a whole and the Directors intend to seek renewal of these powers at subsequent annual general meetings

Resolution 15- Notice of Meeting

Resolution 15 is a resolution to allow the Company to hold general meetings (other than annual general meetings) on 14 days' notice

Before the introduction of the Companies (Shareholders' Rights) Regulations in August 2009, the Company was able to call general meetings (other than annual general meetings) on 14 clear days' notice One of the amendments that the Companies (Shareholders Rights) Regulations 2009 made to the Act was to increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for annual general meetings) provided that (i) the Company offers facilities for shareholders to vote by electronic means, and (ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days

Resolution 15 is therefore proposed as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed The Company will use this notice period when permitted to do so in accordance with the Companies Act 2006 and when the Directors consider it appropriate to do so

Appendix 1 Summary of the main features of the Avon Rubber plc 2015 Share Option Plan (the UK Share Option Plan)

Structure

The UK Share Option Plan takes the form of an approved share option part (the 'Approved Part'), which has appended to it an unapproved part (the 'Unapproved Part') the Approved Part is designed to be approved by HM Revenue & Customs for tax purposes, and is therefore subject to the requirements of the relevant legislation In particular, the value of options granted under it to a participant may not exceed a specified limit, currently £30,000 The Unapproved Part is designed to grant options on similar terms, but not subject to the specified limit and certain other requirements for tax approval

Eligibility

Employees (excluding Directors) of the Company and such of its subsidiaries as are designated participating companies by the Remuneration Committee, will be eligible to participate under the UK Share Option Plan Participation is at the discretion of the Remuneration Committee but is intended to benefit junior management who do not currently participate in the Avon Rubber plc Performance Share Plan ('PSP') The PSP is being retained for Directors and senior management of the Company

Grant of options

Options may be granted initially in the 42 day period after adoption of the UK Share Option Plan and thereafter each year in the 42 day period following the announcement of the Company's interim or final results In circumstances deemed exceptional by the Remuneration Committee, options may be granted outside this normal period
No consideration shall be payable for the grant of an option
Options will be personal to a participant and, except on the death of a participant, may not be transferred

Exercise price

The price at which participants may acquire ordinary shares on exercise of their options shall be the higher of the nominal value of a share and the average middle market price quoted on the Official List of the London Stock Exchange at close of dealings on the 5 business days preceding the Date of Grant

Individual limits

No option may be granted to a participant which would result in the aggregate market value of shares comprised in options granted to him in any 12 month period under the UK Share Option Plan and any other discretionary share option scheme adopted by the Company exceeding a one times annual salary limit

Options granted under the Approved Part will be subject to an additional limit so that the market value of options granted under the Approved Part and any other HM Revenue & Customs approved share option scheme of the Company or any associated company may not exceed £30,000

Share capital limit

No option which is to be satisfied on its exercise by the issue of new shares (or re-issue of treasury shares) may be granted on any date if the number of shares to which it relates, when aggregated with the number of shares issued (or re-issued) or remaining issuable (or re-issuable) by virtue of options or other rights granted or made in the preceding 10 years under the UK Share Option Plan and any other employee share scheme adopted by the Company, would exceed 10 per cent of the issued share capital at that time

Exercise, lapse and exchange of options

Options will normally vest and become exercisable in whole or in part between the third and tenth anniversaries of the date of grant Options may be satisfied by the issue of new shares (or re-issue of treasury shares) or the transfer of existing shares The Remuneration Committee also retain the discretion under the Unapproved Part to settle option exercise through the use of equity settled stock appreciation rights whereby a number of shares equal to an option holder's gain is transferred or issued at nil cost to the option holder on exercise of the option Any unexercised options shall lapse on the tenth anniversary of the date of grant

Options normally lapse on cessation of employment of a participant However, following cessation of employment for specified 'good leaver' reasons, including ill-health, injury, disability, redundancy or retirement exercise will be permitted on a pro rated basis during the period of 6 months from the date of cessation Exercise is also permitted on a pro rated basis at the discretion of the Remuneration Committee if a participant ceases employment for any other reason In calculating the pro rated entitlement, the Remuneration Committee will take into account the time elapsed since grant to the date of termination

On death, an Option may be exercised on a pro rated basis by the personal representatives of the deceased option holder within 12 months of the date of death on the same terms as if the Option Holder had been alive In calculating the pro rated entitlement, the Remuneration Committee will take into account the time elapsed since grant to the date of termination

In the event of a change of control or winding-up of the Company early exercise of an option granted will be subject to the discretion of the Remuneration Committee, who will take into account the time elapsed since grant and any other factors the Remuneration Committee considers relevant The UK Share Option Plan contains provisions for the exchange of options as an alternative to exercise where there is a change of control For options granted under the Approved Part such provisions comply with the requirements of the relevant tax legislation In either case, this will be subject to the approval of the bidding company

On a demerger, dividend-in-specie or other such transaction which the Committee determines will materially affect the value of options granted under the UK Share Option Plan, the Remuneration Committee may again permit the early exercise of such options

Variations in share capital

The number of shares comprised in an option and/or the exercise price may be adjusted if any capitalisation issue, offer by way of rights (including an open offer) or any sub-division, reduction, consolidation or other variation of the Company's share capital occurs

Rights attaching to shares

If shares are to be allotted and issued to a participant pursuant to the exercise of any option, the Company shall apply for such shares to be admitted to the Official List of the London Stock Exchange Such shares will rank pari passu with all other issued shares of the Company except for any rights determined by reference to a date preceding the date on which the option is exercised

Amendments

The UK Share Option Plan may be amended at any time by the Remuneration Committee, provided that, without the prior approval of the Company in general meeting, no amendments may be made to the material advantage of participants in respect of provisions relating to eligibility, share capital limits, maximum entitlements and the basis for determining and adjusting a participant's entitlement in the event of a variation of the Company's share capital The requirement to obtain the prior approval of the Company in general meeting will not apply in relation to any amendment which is of a minor administrative nature, is made to maintain HMRC approval or to comply with the provisions of any existing or proposed legislation, or to obtain or maintain favourable taxation, exchange control or regulatory treatment

The Directors reserve the right up to the forthcoming Annual General Meeting to make such amendments and additions to the UK Share Option Plan as it considers appropriate provided it does not conflict in any material respect with this summary

Administration and general

To ensure compliance with the requirements for making deductions under the PAYE system, any income tax and employee's national insurance contributions (or the equivalent in any foreign jurisdiction) payable on gains made on the exercise of an option granted under the UK Share Option Plan (including options granted under the Approved Part) must either be paid to the relevant employing company by the participant (including by way of deduction from salary) or, in default of such payment being made, the Company may make the necessary deduction out of the net proceeds of sale of the shares acquired on exercise of the options

The UK Share Option Plan also allows the Remuneration Committee to determine that a proportion of the employer's national insurance contributions arising on exercise of Options under the UK Share Option Plan should be paid by the participant and collected in the manner described above

The Company may terminate the UK Share Option Plan at any time Subject to such termination, the UK Share Option Plan shall terminate 10 years from the date of its adoption by shareholders

Benefits received under the UK Share Option Plan will not be pensionable

At the discretion of the Directors, the UK Share Option Plan may be extended to or equivalent plans may be adopted for overseas employees of the Company and its subsidiaries subject to such modifications as the Directors shall consider appropriate to take into account local tax, exchange control, securities laws or other regulatory requirements In all cases, shares issued (or re-issued) pursuant to such schemes shall be treated as counting against the individual and overall limits of the UK Share Option Plan

Appendix 2 Summary of the main features of the US Stock Option Plan

Structure

It is proposed that the Company adopt the Avon Rubber p l c 2015 US Stock Option Plan ('the US Stock Option Plan') under which Incentive Stock Options ('US ISO') and Non-Qualified Options ('US NSO') can be granted, as a schedule to Part B of the UK Share Option Plan The US ISO is designed to be approved by the US Internal Revenue Service (IRS) in the US for tax purposes, and is therefore subject to the requirements of the relevant US tax legislation Unless otherwise stated, the main features of the US Stock Option Plan mirror those of the UK Share Option Plan

Eligibility

Employees (excluding Directors) of the Company and such of its subsidiaries as are designated participating companies by the Remuneration Committee, will be eligible to participate under the US Stock Option Plan Participation is at the discretion of the Remuneration Committee but is intended to benefit junior management who currently do not participate in the Avon Rubber plc Performance Share Plan (PSP) The PSP is being retained for Directors and senior management of the Company

Exercise price

The price at which participants may acquire ordinary shares on exercise of their options shall be the higher of the nominal value of a share and the average middle market price quoted on the Official List of the London Stock Exchange at close of dealings on the 5 business days preceding the Date of Grant (the 'Market Value')

Individual limits

The US Stock Option Plan will be subject to the same individual limits as the UK Share Option Plan save that the aggregate Market Value of the shares for which one or more options granted to any participant under the US ISO may for the first time become exercisable during any one calendar year, shall not exceed $100,000

Share capital limit

The US Stock Option Plan will be subject to the same share capital limit as the UK Share Option Plan save that the aggregate number of shares which may be issued under the US ISO is limited to two million shares

Exercise and lapse of options

Options will normally vest and become exercisable in whole or in part between the third and tenth anniversaries of the date of grant Options may be satisfied by the issue of new shares (or re-issue of treasury shares) or the transfer of existing shares Any unexercised options shall lapse on the tenth anniversary of the date of grant

Options normally lapse on cessation of employment of a participant However, following cessation of employment where employment ceases on account of injury, ill health, disability or retirement , or the disposal of the participating subsidiary or the business in which the Participant is employed, exercise will be permitted on a pro rated basis during the 6 month period following cessation (unless the reasons for cessation are disability, within the meaning of Internal Revenue Code section 22(e)(3), in which case the options may be exercised on a pro rated basis within one year from the date of cessation) Exercise of options is also permitted on a pro-rata basis at the discretion of the Remuneration Committee if a participant ceases employment for any other reason In calculating the pro rated entitlement, the Remuneration Committee will take into account the time elapsed since grant to the date of termination

On death, an Option may be exercised on a pro rata basis by the personal representatives of the deceased option holder within 12 months of the date of death on the same terms as if the Option Holder had been alive

In the event of a change of control or winding-up of the Company early exercise of an option granted will be subject to the discretion of the Remuneration Committee, who will take into account the time elapsed since grant, and any other factors the Remuneration Committee considers relevant The US Stock Option Plan also contains provisions for the exchange of options as an alternative to exercise where there is a change of control, which in all cases will be subject to the approval of the bidding company

On a demerger, dividend-in-specie or other such transaction which the Committee determines will materially affect the value of options granted under the US Stock Option Plan, the Remuneration Committee may again permit the early exercise of such options

Amendments

The US Stock Option Plan may be amended at any time by the Remuneration Committee, provided that, without the prior approval of the Company in general meeting, no amendments may be made to the material advantage of participants in respect of provisions relating to eligibility, share capital limits, maximum entitlements, the definitions of "Market Value" and "Share Price" and the basis for determining and adjusting a participant's entitlement in the event of a variation of the Company's share capital

The requirement to obtain the prior approval of the Company in general meeting will not apply in relation to any amendment which is of a minor administrative nature, is made to obtain or maintain IRS approval or to comply with the provisions of any existing or proposed legislation, or to obtain or maintain favourable taxation, exchange control or regulatory treatment

The Directors reserve the right up to the forthcoming AGM to make such amendments and additions to the US Stock Option Plan as it considers appropriate, provided it does not conflict in any material respect with this summary of the US Stock Option Plan and to make such amendments and additions to the US Stock Option Plan up to and after the AGM to the extent required to secure the approval of the IRS

Miscellaneous

To ensure compliance with the withholding tax requirements in the US, any federal, state, local or other tax or social security (or the equivalent in any foreign jurisdiction) payable on gains made on the exercise of an option granted under the US Stock Option Plan must either be paid to the relevant employing company by the participant (including by way of deduction from salary) or, in default of such payment being made, the Company may make the necessary deduction out of the net proceeds of sale of the shares acquired on exercise of the options

The Company may terminate the US Stock Option Plan at any time Subject to such termination, the US Stock Option Plan shall terminate 10 years from the date of its adoption by shareholders

Benefits under the US Stock Option Plan will not be pensionable

NOTES

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