00032965

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 2014 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 £10,811,000 (2013 £8,837,000) Full details are set out in the Consolidated Statement of Comprehensive Income on page 74

An interim dividend of 1 87p per share was paid in respect of the year ended 30 September 2014 (2013 1 44p)

The Directors recommend a final dividend of 3 74p per share (2013 2 88p) resulting in a total dividend distribution per share for the year to 30 September 2014 of 5 61p (2013 4 32p)

Share capital

As at 19 November 2014, 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 of the company, 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 1,081,810 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 10 November 2014, the following shareholders held 3% or more of the Company's issued ordinary share capital -

Schroder Investment Management	18 0%
BlackRock Investment Management	11 5%
JPMorgan Asset Mangement	5 2%
Henderson Global Investors	3 5%
Avon Rubber p l c Trustees	3 5%
Franklin Templeton Investments	3 3%

Acquisition of own shares

During the year the Directors had the power to make market purchases of up to 4,608,492 of the Company's own shares in issue on the basis as set out in the explanatory note on page 137 The Company did not acquire any of its own shares in 2014 The Directors also had the authority to allot shares up to an aggregate nominal value of £10,241,097 which was approved by shareholders at the 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 During the year the Company issued 300,000 ordinary shares of £1 each at par to ACS HR Solutions Share Plan Services (Guernsey) Limited (in its capacity as the trustee of the Company's Employee Share Ownership Trust No 1) as described in note 20

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 19 November 2014 are set out on page 41

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

During the year there have been no changes to the membership of the Board The Board is satisfied that Mr D R Evans, Mrs S J Pirie and Mr R K Wood are independent Non-Executive Directors Mrs S J Pirie, having completed nine years as Non-Executive Director in March 2014, will retire from the Board with effect from the conclusion of the AGM

The search for Mrs Pirie's replacement, led by David Evans as Chairman of the Nominations Committee, is underway as at the date of this report Mr Wood will replace Mrs Pirie as the Senior Independent Director following her retirement

Mr A G Lewis retires by rotation and, being eligible, offers himself for re-election

The Board confirms that Mr Lewis has contributed substantially to the performance of the Board The Chairman gives his full support to Mr Lewis' offer of re-election and draws the attention of shareholders to his profile on page 41

Mr R K Wood retires by rotation and, being eligible, offers himself for re-election

The Board confirms that Mr Wood has contributed substantially to the performance of the Board The Chairman gives his full support to Mr Wood's offer of re-election and draws the attention of shareholders to his profile on page 41

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 of the Executive Directors 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 70

Directors' and officers' indemnity insurance

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

In 2006 the Company's Articles were amended to allow the Company to provide the Directors with funds to cover the costs incurred in defending legal proceedings The Company is therefore treated as providing an indemnity for its Directors and Company Secretary which is a qualifying third party indemnity provision for the purposes of the Act

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 field of polymer technology and materials engineering The Group maintains its links to key universities in the US and UK and continues to work with new and existing customers and suppliers to develop its knowledge and product range Total Group expenditure on research and development in the year was £7,046,000 (2013 £6,407,000) 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 40

Political and charitable contributions

No political contributions were made during the year or the prior year Contributions for charitable purposes amounted to £13,542 (2013 £15,305) consisting exclusively of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, Wisconsin, Georgia and Mississippi

Financial instruments

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

Post balance sheet events

There have been no significant events affecting the Company or Group since the year end

Statement of Directors' responsibilities for preparing the financial statements

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

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether IFRSs as adopted by the European Union and IFRSs issued by 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

18.4%

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 41 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 2014, the number of days' purchases outstanding at the end of the financial year for the Group was two (2013 19 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 2014 there were no trade creditors in the balance sheet of the parent company (2013 nil)

Independent auditors

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

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

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 46 to 50 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 29 January 2015 at 10 30am The Notice of Meeting can be found on pages 132 to 137 Registration will be from 10 00am

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
19 November 2014

PROFIT BEFORE TAX UP

↑ 21%

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 2014 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 54 to 73

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

Leadership and effectiveness

During the year the Board of Avon Rubber 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 Stella Pirie, having completed nine years as Non-Executive Director, will retire with effect from the conclusion of the AGM in January 2015 Richard Wood, who was appointed to the Board as a Non Executive Director on 1 December 2012 will replace Mrs Pirie as the Senior Independent Director

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 41 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 an induction from the Company Secretary on joining the Board When appointed, Non-Executive Directors are made aware of and acknowledge their ability to meet the time commitments necessary to fulfil their Board and Committee duties Procedures are in place, which have been agreed by the Board, for Directors, where necessary in the furtherance of their duties, to take independent professional advice at the Company's expense and all Directors have access to the Company Secretary The Company Secretary is responsible to the Board for ensuring that all Board procedures are complied with The removal of the Company Secretary is a decision for the Board as a whole

Performance evaluation

An internal annual performance evaluation was undertaken by the Board during the year and there are no plans to move towards an externally facilitated evaluation (which is compulsory for FTSE 350 companies) at this time The Chairman acted as the sponsor of the evaluation process and each Director was required to score a questionnaire for review by the Board The Company Secretary acted as facilitator to the Board and issues arising from the process were incorporated into the Board's business as appropriate Within the evaluation exercise, the Board addressed three key areas the extent to which the Board focuses on the right issues, interacts effectively and has the right mechanics in place The evaluation prompted a discussion which covered the arrangements in place for succession planning, and the procedure for appointing new directors to the Board, and the need for all directors to be given the opportunity to regularly update and refresh their skills and knowledge The evaluation concluded that the Board operates well and the Board Committees operate effectively In particular the Board contributes valuably to strategy, has appropriate matters reserved to it for its decision and commits the necessary time to be effective

156%

OF OPERATING PROFIT CONVERTED TO CASH

CORPORATE GOVERNANCE

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. Mrs S J Pirie will remain Chairman of the Audit Committee and Senior Independent Non-Executive Director until her retirement from the Board at the conclusion of the AGM. The Board is satisfied that Mrs Pirie has recent relevant financial experience and her profile appears on page 41. It is the Board's intention that Mrs Pirie's replacement takes her place as Chairman of the Audit Committee and will therefore have recent relevant financial experience. Mr D R Evans is Chairman of the Nominations Committee and Mr R K 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 54 to 73. The Board schedules eight regular meetings per year.

Meetings during year ended 30 September 2014

	Board	Audit Committee	Remuneration Committee	Nominations Committee
S J Pirie	8	3	4	2
R K Wood	8	3	4	2
D R Evans	8	3	4	2
P C Slabbert	8	3*	4*	2*
A G Lewis	8	3*		

* Attendance by invitation

This year four further meetings have been held on an ad hoc basis, including by telephone conference, in connection with the renegotiation of the Company's banking facility arrangements, the allotment and issue of new shares and internal transactions. In addition, between them, the three Non-Executive Directors visited the Group's main US sites accompanied by the Chief Executive.

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

Relations with shareholders

The Directors regard communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware. In terms of published materials the Company issues a detailed annual report and accounts and, at the half year, an interim report. Interim management statements have been issued during the year, together with a number of other event updates. Dialogue takes place regularly with institutional shareholders and general presentations are given following the preliminary and interim results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and at other times during the year. Shareholders have the opportunity to ask questions at the annual general meeting and also have the opportunity to leave written questions with the Company Secretary for the response of the Directors.

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

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

At the annual general meeting on 29 January 2015, 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

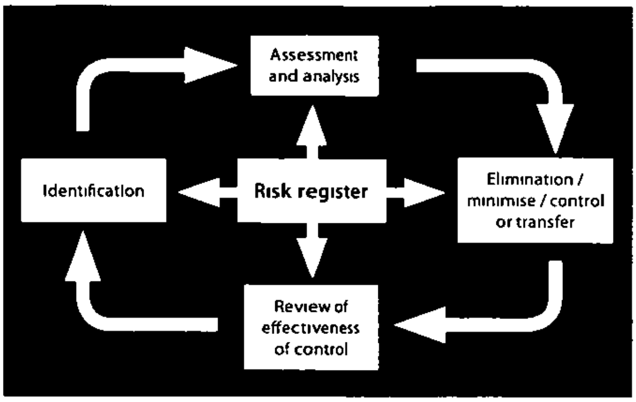
Accountability

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

The Directors acknowledge their responsibility for the Group's system of internal control The Board, through the Audit Committee, keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses The section on internal control in the Audit Committee Report on pages 52 to 53 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 30 and 31



Risk management

Risk is managed by the Group Executive management 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 Turnbull Guidance

OPERATING PROFIT UP

↑20%

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 44 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

S Pirie

Stella Pirie OBE
Chairman of the Audit Committee
19 November 2014

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 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 Nominations Committee is also responsible for the Board's policy on diversity which was adopted in September 2014

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 website

The Committee met twice during the year in connection with identifying a replacement for Mrs Pirie, who will retire from the Board at the next AGM

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 40

D.P. Evans.

David Evans
Chairman
19 November 2014

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 2014 were as follows

- The presentation of the financial statements and in particular, the presentation of adjusted performance and the adjusting items, including the exceptional item in respect of the closure of the Lawrenceville facility The Committee agreed that the position taken in the financial statements is appropriate
- Review of the key judgements made in estimating the Group's tax charge 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 The Committee concurred with management's assessment that there were no triggering events in 2014 requiring an impairment review
- Review of the on-going funding level of the defined benefit pension scheme The Committee agreed this was being managed appropriately
- At the request of the Board the Committee considered whether the 2014 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 The Committee was satisfied that, taken as a whole, the annual report was fair, balanced and understandable
- Review and approval of a new Code of Conduct

The Committee was content after due challenge and debate with the assumptions made and the judgements applied and therefore 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 interim management statements

External auditors

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

In particular the Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process 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 and for the 2014 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 to be 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 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 and tax compliance services are 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 87 of the financial statements These reviews ensure a balance of objectivity, value for money and compliance with this policy The outcome of these reviews was that no conflicts of interest existed between such audit and non-audit work

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management This involves the monitoring and reviewing of the effectiveness of internal audit activities, which included a review of the audits carried out and the results thereof, the management response and the programme and resourcing for 2014 and 2015

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 2014 internal audit programme included two post-implementation reviews to ensure the new system was operating effectively and assess the need for any modification prior to implementation at the next site The rollout will continue towards completion in 2015

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 Turnbull Guidance Risk management activities are dealt with in more detail in the Corporate Governance Report on pages 46 to 50

S Pirie

Stella Pirie OBE
Chairman of the Audit Committee
19 November 2014

Letter from the Chairman of the Remuneration Committee

I wrote to you last year setting out a proposal for a three year remuneration package for Executive Directors and to outline the general remuneration policy that we would adopt for the Company to prepare for the challenges ahead and to align remuneration with changing City guidelines

Before proposing this new policy I consulted and took into account the views of a number of leading shareholders

The new policy and the package for Executive Directors was overwhelmingly supported by shareholders at the Annual General Meeting in February 2014 It has since been used to incentivise the Executive team during the current financial year with great effect

Conceptually, it aimed to reward success for driving sustained high levels of growth based on a new strategic approach introduced by the new Chairman and approved by the Board The remuneration changes were aimed at rewarding success and not failure and included a greater proportion of variable pay for achievement together with a 25% deferment to protect against under or variable performance and a claw back for mis-statements

It is apparent from the impressive results being reported this year that the new remuneration policy has contributed significantly

Last year we did not review the fees for Non-Executive Directors, although they were due for review in 2012, but informed shareholders that we would do so this year on a new three year cycle under the new remuneration policy I will comment on that review later in this letter and explain how we propose to align fees better with the challenges placed on a small board while keeping them within the guiding benchmark levels for similarly sized companies

As was the case last year, my report covers the remuneration of both Executive and Non-Executive Directors and is split into a section that sets out the policy approved last year and which will remain in force for another two years, together with an annual remuneration section that gives details of remuneration for this year The section on annual remuneration will be subject to an advisory vote by shareholders, but it will not be necessary to hold a shareholder vote on remuneration policy as it is not being changed

Key features of the current remuneration policy are -

1 Base salaries

1 1 Executive Directors

The current remuneration policy for Executive Directors froze basic salaries for three years from October 2013 Accordingly, the 2% annual cost of living increase awarded to the wider workforce this year will not be paid to the Executive Directors

1 2 Non-Executive Directors

Non-Executive Director fees have not been reviewed since 2009 and the Company Chairman's fee has not been reviewed since 2011 Last year the review was postponed to allow the Company Chairman to assess the composition and demands required of the Board to implement the new growth strategy approved by the Board Both fees have now been reviewed with effect from 1 October 2014 in line with the methodology proposed in the remuneration policy and approved by shareholders in February 2014 The policy aims 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 new fees will be fixed for three years from 1 October 2014

Having taken into account the EY benchmark study, which reviewed fees against those paid in other similar sized UK listed companies, together with the different demand pattern of Board work required by the Company, we have decided to increase base fee levels from £35,000 to £38,500 per year In addition we have adjusted committee fees to reflect the increased level of work expected in a small board where non-executive directors have overlapping roles and are required to sit on several committees Whilst the Committee Chairman fee will remain at £10,000 per year we have introduced a new fee for committee membership of £2,000 per year

In order to maintain the Company Chairman's independence we do not propose to make any form of committee payments to him, although he does sit on all the Company committees and chairs the Nominations Committee Instead, we have increased his total fee from £100,000 to £125,000, which is the median level of fee in the benchmarking study of similar sized businesses prepared by EY in October 2014

2 Executive Directors' variable pay

Last year the Committee increased the cap on the quantum of variable pay in order to reward exceptional performance but this increase was counterbalanced by measures designed to protect against under or variable performance

For the first 100% of salary, the split of targets is consistent with those used in previous years The additional 50% of salary is calculated according to a ratchet based on earnings per share growth occurring in excess of 20% growth over the previous year earnings per share Details of the ratchet are set out in the remuneration policy report

This has been the first year of operation for the new maximum award levels and given the strength of the financial results, the Committee firmly believes that the ratcheted performance condition and the increased level of the bonus cap have been sensibly applied to good effect

The new deferral rule requires 25% of all annual bonus payments related to the performance of the business to be deferred into shares to be held for two years, and then treated as shares that are not subject to the executive shareholding guidelines In this way, if earnings are not sustained over that period, any reduction in the share price will reduce the value of the bonus The number of shares subject to the deferral arrangement is set out in the annual remuneration report

3 Long-term incentives for Executive Directors

To balance the increased short and medium-term incentives introduced last year, the Committee decided to make no changes to the conditional awards made under the Performance Share Plan approved by shareholders in 2010 Grants for both the Chief Executive and Group Finance Director were therefore equal to 100% of salary in December 2013 and the same will apply to the awards that will be made in December 2014

The Committee regularly monitors changes in market practice and shareholder expectations concerning the operation of long-term incentive schemes To coincide with the half-way point in the life of the Performance Share Plan, the Committee will review the operating conditions of the current plan during the coming financial year with a view to making the changes that are necessary to bring future awards made under the Plan in to line with market practice by the end of 2015 With regard to the three-year performance period for awards under the Performance Share Plan which ended on 30 September 2014, the earnings per share target is expected to be met in full and the total shareholder return is expected to lie between the median and upper quartiles Under the scheme rules, approximately 90% of the awards are therefore likely to vest in December 2014

An announcement on the vesting will be made at the time

Conclusions

The Committee takes an active interest in shareholder views and developments in best practice I held a constructive consultation with major shareholders last year and will do so in future years when we seek to make changes to the remuneration policy beyond the existing discretion it contains

The Committee believes that the new remuneration structure has incentivised the Executive team this year to deliver strong and sustainable growth by offering increased reward for exceptional performance We remain comfortable that the policy has not encouraged undue risk taking as the performance metrics have been fully aligned with targeted improvements in the Company's key performance indicators Incentive bonuses are subject to claw back provisions and part of the annual bonus will, for the first time this year, be deferred into Company shares These features, allied to our share ownership guidelines, continue to ensure that the current remuneration policy is aligned with short, medium and long-term shareholder interests

On behalf of the Board, I would like to thank shareholders for their continued support The Committee hopes that the new form of reporting we adopted for the first time last year is clear but I would welcome your feedback and suggestions for improvements

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 K Wood (Chairman), Mr D R Evans and Mrs S J Pirie 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

The Committee addressed the following main issues during the last year

- Reviewed the remuneration of the Executive Directors and the other members of the Group Executive management team and decided to make adjustments with effect from 1 October 2013
- Approved the annual bonus payments to the Executive Directors in November 2013
- Approved the annual bonus plan for the Executive Directors for the 2014 financial year
- Reviewed and confirmed the vesting of the 2010/11 Performance Share Plan awards in December 2013
- Reviewed and approved the 2013/14 Performance Share Plan awards granted in December 2013 and monitored the performance of the outstanding awards against their performance targets
- Reviewed the executive management succession and talent management plan

Since the end of the 2014 financial year, the Committee has

- Recommended fee increases for the Non-Executive Directors for the 2015 financial year effective 1 October 2014, which were approved by the Chairman and the Executive Directors
- Recommended a fee increase for the Chairman for the 2015 financial year effective 1 October 2014, which was approved by the Senior Independent Director and the Executive Directors
- Approved the annual bonus payments to the Executive Directors and the Group Executive management team, following completion of the external audit in November 2014
- Approved the annual bonus plan for the Executive Directors and the Group Executive management team for the 2015 financial year
- Made preparations for the 2014/15 Performance Share Plan awards to be granted in December 2014

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 the 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

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 were paid in connection with the promotion of Mr Slabbert to the role of Chief Executive or for the recruitment of Mr Lewis as Group Finance Director, both of which occurred in 2008

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 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 proposed policy for the Executive Directors, general practice across the Group is to recruit employees at market rates and this tends to be at the median salary level or above to attract them to the Group

Because of the numbers involved and the need to absorb new recruits at salaries comparable with those already employed, salaries are normalised upwards over time to the median level so that the pay level of the workforce is always kept close to the median level and maintained at that level by 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 survey of all management employees in the Group with the aim of ensuring that each is being paid at the median benchmark level for their role and that 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 benchmarking study but for now the Committee is 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

Last year 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 Two of the shareholders indicated their support for the policy without proposing any amendments The third proposed some wording changes to aid the understanding of the position being taken on the increases to annual bonus, which were adopted

There has been no further engagement with shareholders in relation to the remuneration policy since the last annual general meeting

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

The Remuneration Committee has discretion to amend the remuneration policy in 2015 and 2016 to the extent described in the table and the written sections that follow it below

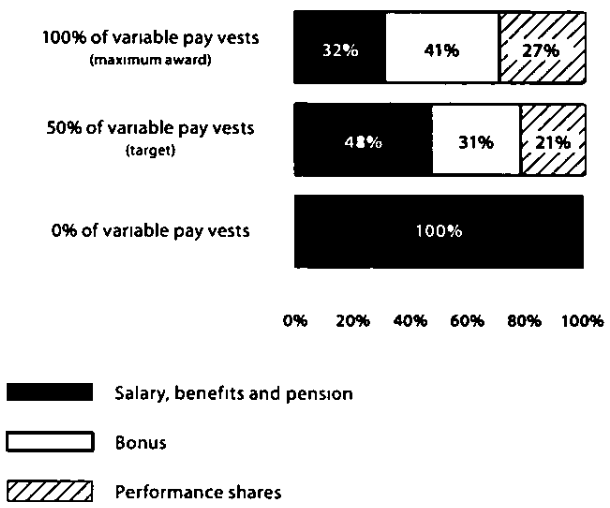
Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value*	Performance targets	Changes from 2013
Base Salary	To provide competitive fixed remuneration To attract and retain Executive Directors of superior calibre in order to deliver growth for the business Intended to reflect 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	2013/14: PC Slabbert £330,000 AG Lewis £252,000 2014/15 and 2015/16: No change No increase in 2016 unless found to be below the median level shown in a benchmarking report to be commissioned in September 2016 and any adjustments will be effective from 1 October 2016	Not applicable	No change
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 2014 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 and 2015/16 (% of salary): No change	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 Any 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 2013
Performance Share Plan	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders	The Company has one Performance Share Plan, which was approved by shareholders in 2010. Annual grants of conditional share awards which vest after a three year performance period, subject to achievement of performance targets and continued service	2013/14 (% of salary) PC Slabbert 100% AG Lewis 100% 2014/15 and 2015/16 (% of salary) No change	50% TSR (of which 30% vests for median increasing to 100% vesting for upper quartile of the FTSE Small Cap Index excluding investment trusts) 50% EPS (which starts vesting at nil for RPI +3% rising to 100% at RPI +8%)	No change
Share ownership guidelines	To increase alignment between executives and shareholders	Executive Directors are required to retain a proportion of their net of tax vested awards until the guideline is met	200% of salary for Executive Directors for awards vesting from December 2014	Not applicable	No change
Pension	To reward sustained contribution by providing retirement benefits	Mr Slabbert is a deferred member of the now closed final salary section of the Plan Both Mr Slabbert and Mr Lewis are members of the money purchase section of the Plan. Where the promised level of benefits cannot be provided through the money purchase scheme the Company provides benefits through the provision of salary supplements	2013/14 (% of salary) PC Slabbert 15% AG Lewis 15% 2014/15 and 2015/16 (% of salary) No change	Not applicable	No change

* 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 C Slabbert	A G Lewis
Year ended 30 September 2014	£330,000	£252,000
Year commencing 1 October 2014	£330,000	£252,000
Percentage increase	0%	0%

The Group's employees have received an increase of approximately 2 6% over the same period, including annual cost of living, promotional increases and increases based on exceptional performance

The Committee first used EY to conduct a benchmarking review of the reward packages received by the Executive Directors and the Group Executive management team in 2011 The report benchmarked these by reference to the directors and management in a comparator group of 18 UK listed companies selected according to size, industry sector or location as a suitable benchmark group for the Company

Comparator group of companies for reward benchmarking

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

Based upon the report, the significant growth delivered and the future prospects for growth, the Committee implemented a remuneration strategy in October 2011 which targeted the median pay level identified in the EY report, not by a single large increase, but in stages when performance justified a change that the Company could then afford to pay The first incremental step towards the target median was made with effect from 1 October 2011 when Mr Slabbert's salary was increased from £235,000 to £280,000 (a 19% increase) and Mr Lewis's salary was increased from £162,000 to £200,000 (a 24% increase)

In September 2012, the Committee considered whether to grant a further increase towards the median level for Mr Slabbert and Mr Lewis but decided against this No inflationary related salary increase was made at that time either

In September 2013, in recognition of the impressive growth and shareholder return consistently delivered by the Executive Directors and the Group Executive management team, the Committee confirmed that the final incremental step increase to salaries should be made to achieve the median level identified in the EY report However, before doing so the report was revalidated by referring to the publicly available Deloitte report dated March 2013 on directors' remuneration in smaller companies With effect from 1 October 2013, Mr Slabbert's salary was increased from £280,000 to £330,000 (an 18% increase) and Mr Lewis's salary was increased from £200,000 to £252,000 (a 26% increase) These salaries are now frozen until the next benchmarking review to be carried out in 2016

Details of the comparator group used in the 2011 EY benchmarking study are set out above Future comparator groups may be slightly different to reflect the Company's development Except where roles are significantly widened, the Committee believes the median salary of the benchmark group to be an appropriate target for the Company's Executive Directors given its size, industry sectors and geographical positioning, notwithstanding the spectacular growth delivered over the last five years

Private medical insurance, life assurance and small loans in connection with the jointly owned equity awards under the Performance Share Plan are the only benefits in kind received by the Executive Directors

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

2013/14

For the year ended 30 September 2014, 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 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 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 2014 as a percentage of basic salary	**150%**	**150%**

Performance measures (a) to (c) 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

Performance measure (d) was introduced for the first time for the 2013/14 year and allows the Executive Directors to earn annual bonus in excess of 100% of salary in return for delivering exceptional EPS growth in excess of 20% each year

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

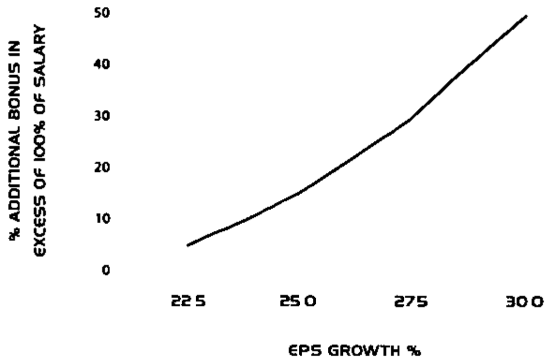
The additional 50% of salary is only payable for truly exceptional performance, calculated according to a ratchet based on EPS The ratchet only applies to EPS growth in excess of 20% over the previous year

For an additional 10% of EPS growth above 20% over the previous financial year EPS (i e up to a maximum of 30% EPS growth over the previous financial year 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 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 %



■ % 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 targeted to be well above the median in the comparator group It is expected that this bonus policy will be 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

At the same time the Committee introduced a claw back rule that 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 will be applied for the first time this year in connection with the annual bonus payments to be made in November 2014

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

The Remuneration Committee introduced this 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) These 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 2014 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 has considered 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 that a three-year performance period remains appropriate for the Company and in line with market practice amongst the FTSE Small Cap community

For the TSR measure, the performance of the Company's shares over the performance period is compared with the TSR performance within a comparator group comprising the FTSE Small Cap Index, excluding investment trusts The Committee has considered whether to create a bespoke comparator group but concluded that there are insufficient direct comparator companies of the right size and diversity in the relevant industries to warrant a specific peer group and the FTSE Small Cap Index remains an appropriate comparator group Over the three-year period

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

The above schedule reflects the Remuneration Committee's intention to reward only TSR performance which outperforms the comparator group and the Committee's view is that measuring this by reference to median and upper quartile placing remains appropriate In 2011 the Committee reduced the minimum TSR vesting target from 40% to 30% In the coming year the Committee intends to review the operating conditions of the Plan with a view to making the changes that are necessary to bring future awards in line with current market practice by the end of 2015 This may include a further reduction in the minimum TSR vesting target

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 is 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

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 remains at 100% of salary

The current remuneration policy is that both Mr Slabbert and Mr Lewis should receive 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

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

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

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 2013, 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 award will be made in December 2014 within the parameters of the Plan as described above and at 100% of salary for both the Chief Executive and Group Finance Director

Shareholding guidelines

Under shareholding guidelines 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 equivalent to 1 5 times base salary and for other recipients the shareholding requirement was 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

In September 2011 the Remuneration Committee amended the shareholding guidelines so that for awards that vest from December 2014 the Executive Directors are obliged to build up and retain a shareholding equivalent to two times base salary, after which they are not required to retain any portion of future awards that vest

Dilution

The Company reviews the awards of shares made under the 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 71

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 participate in the SIP at the maximum level

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

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

Thus, each year over an eight year period the age at which Mr Slabbert can retire early, on an unreduced basis, reduces by 7 5 months The Company will fund this benefit

During the year to 30 September 2014 Mr Slabbert has been a member of the money purchase section of the Plan

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 Mr Slabbert remains covered by the death in service insurance notwithstanding that he is no longer an active member of the Plan

Executive Directors' basic salaries are the only pensionable element of their remuneration packages

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 and which otherwise expires on retirement The Company may terminate the contract early without cause by making a payment in lieu of notice by monthly instalments of salary and benefits to a maximum of 12 months, with reductions for any amounts received from providing services to others during this period 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 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 table below summarises key details in respect of each Executive Director's contract

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

No payments were made during the year to former Executive Directors as none left employment

	Contract date	Years to expected retirement	Company notice period	Executive notice period
P C Slabbert	28 September 2009	8	12 months	12 months
A G Lewis	28 September 2009	22	12 months	12 months

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors receive a fixed fee for their services Fee levels are determined by the Board in light of market research and 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 benchmarking recently took place and increases have been made, effective on 1 October 2014 The Chairman and the Non-Executive Directors do not participate in any Board discussions or vote on their own remuneration, nor do they participate in any incentive or benefit plans

Current fees are as follows

	2015	2014	% increase
Chairman	£125,000	£100,000	25%
Base fee Non-Executive	£38,500	£35,000	10%
Committee Chairman fee	£10,000	£10,000	-
Committee attendance fee	£2,000	n/a	n/a

The Chairman and the Non-Executive Directors each have a letter of appointment The initial period of appointment for Mrs SJ Pirie was three years and this was extended for a further three years on 1 March 2008 and on a rolling annual basis on 1 March 2011 The initial period of appointment for Mr DR Evans was also three years and this was extended on a rolling annual basis on 31 May 2010 Mr RK 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 Mrs Pirie reached nine years' service on 1 March 2014 and is standing down from the Board at the annual general meeting on 29 January 2015

Details of her successor will be communicated in due course, but his or her remuneration will be at the levels described above

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

	Date of initial appointment	Date of last re-election
D R Evans	1 June 2007	7 February 2013
S J Pirie OBE	1 March 2005	6 February 2014
R K Wood	1 December 2012	7 February 2013

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 2014 was as follows

	Basic salary and fees £000	Pension/ other supplements £000	Annual bonus* £000	Other benefits** £000	Total 2014 £000	Total 2013 £000
Executive Directors						
A G Lewis	252	38	370	2	662	381
P C Slabbert (highest paid Director)	330	50	452	3	835	566
Non-Executive Directors						
D R Evans (Chairman)	100	-	-	4	104	100
S J Pirie OBE	45	-	-	-	45	45
R K Wood (appointed 1 December 2012)	45	-	-	-	45	36
The Rt Hon Sir Richard Needham (resigned 7 February 2013)	-	-	-	-	-	16
Total 2014	772	88	822	9	1,691	
Total 2013	677	72	390	5		1,144

* 2014 bonus payments as a percentage of salary were 137% for Mr Slabbert and 147% 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 2014 (2013 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 2014 and 2013 The principal additional component included in this single figure is the Performance Share Plan

		Fixed pay				Pay for performance			Total Remuneration £000
		Basic salary £000	Pension/ other supplements £000	Benefits in kind £000	Subtotal £000	Annual bonus £000	PSP* £000	Subtotal £000	
P.C. Slabbert	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	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 (in both cases the maximum number subject to the award) by the share price on the day of vesting, which in 2014 was 570p and in 2013 was 351p

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

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

Last year the Committee decided it was not appropriate to compare the percentage change in remuneration of the CEO with the wider workforce because increases had been made to bring 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 This year, in line with current practice, we have reported changes in the CEO's remuneration against the wider workforce

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	2012/2013	2013/2014
Salary	0%	+18%	+3%	+3%
Benefits	0%	0%	0%	0%
Annual Bonus	+126%	+88%	+74%	+15%

The ratio of CEO fixed pay to average employee fixed pay is 11 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	%
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%
2012	30,261	941	3 1%	6,888	22 8%	6,627	21 9%	4 789	15 8%

Annual bonus

The Remuneration Committee determined at its meeting on 13 November 2014 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)	25%	25%	25%	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)	50%	50%	50%	50%
2. Personal Performance Targets	17%	30%	27%	30%
Total potential bonus as a percentage of basic salary	**137%**	**150%**	**147%**	**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 C Slabbert under the defined benefit scheme

	£
Increase in accrued pension during 2013/14	1,762
Accrued pension at 30 September 2014	68,138

The age at which Mr P C Slabbert may take his pension unreduced was reduced by 5/8ths of a year over the year to 30 September 2014

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 (2013 nil) because Mr Slabbert reached the standard lifetime allowance in January 2012 During the year £50,000 (2013 £42,000) was paid to Mr Slabbert in monthly instalments as a salary supplement

In respect of Mr A G Lewis, Company contributions to the money purchase section of the plan were £38,000 (2013 £30,000)

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 Director's pension benefits They do not represent sums payable to individual Directors and, therefore, cannot be added meaningfully to annual remuneration

The accrued entitlement shown is the amount that would be paid each year at normal retirement age, based on service to the end of the current year The accrued lump sum, under the defined benefit scheme, for Mr Slabbert at 30 September 2014 was £328,157 (2013 £318,748)

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
S J Pirie	73,000	82,710
D R Evans	40,000	40,000
R K Wood	-	
PC Slabbert	202,645	187,116
A G Lewis	121,110	100,496

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 71

The only change in the interests set out above between 30 September 2014 and 19 November 2014 were the additional shares bought by Mr P C Slabbert and Mr A G Lewis under the Share Incentive Plan, which increased their total shareholdings to 202,690 and 121,155 respectively

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 71

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 2011/12, 2012/13 and 2013/14 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 2013/14 awards 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 2013/14 awards

The Committee determined in December 2013 that the 2010/11 award vested in full on the basis that the TSR over the three years from 1 October 2010 to 30 September 2013 was significantly ahead of the upper quartile of the comparator group As a consequence, and as announced to shareholders in December 2013, 123,424 shares were awarded to Mr Slabbert and 68,067 shares were awarded to Mr Lewis

The Directors' contingent interests in ordinary shares under the Plan at 30 September 2014 were as follows

Outstanding awards granted annually under the Plan were as follows

	30 Sept 2013	Granted in the year*	Exercised in the year**	Lapsed in the year	30 Sept 2014***
PC Slabbert	292,987	56,926	(123 424)		226,489
A G Lewis	164,960	43 471	(68,067)	-	140 364
Other senior employees****	695 745	159,296	(268 810)	(26 168)	560,063
Total	1,153 692	259,693	(460 301)	(26 168)	926,916

* The award price at the date of grant was 579 7 pence

** The market price at the vesting date for the 2010/11 award was 570 0 pence

*** The weighted average remaining life of the awards outstanding at the year end is 1 6 years (2013 1 1 years)

**** This figure includes 201,755 (2013 241,267) in respect of key management as defined in note 9 of the financial statements

Outstanding awards granted annually under the Plan were as follows

	2011	2012	2013	Total at 30 Sept 2014*
PC Slabbert	87,500	82 063	56,926	226,489
A G Lewis	50,000	46,893	43,471	140,364
Other senior employees	203,258	206,820	149,985	560,063
Total	340,758	335,776	250,382	926,916

* In relation to the awards outstanding at 30 September 2014, deferred loan payments for the awards granted in 2011/2012, 2012/2013 and 2013/2014 will become due to the Company as follows PC Slabbert £10 000 (2013 £10 000) AG Lewis £10 000 (2013 £6 642)

The award price for the 2013/14 award was 579 7 pence for the 2012/13 award was 349 5 pence for the 2011/12 award it was 300 0 pence and for the 2010/11 award it was 196 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* * (Cycle E)	30 Sept 2016**** (Cycle F)
TSR element*	100%	100%	100%	50%	50%	50%
EPS element**	-	-	-	50%	50%	50%
Total exercisable rate (% of grant)	100% ****	100%*****	100% * *	-	-	-

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

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

*** The three year performance period in respect of these awards is complete but vesting is not determined until the end of November following release of the Group results 90% of the awards are currently expected to vest

**** The three year performance periods in respect of these awards is not yet complete

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

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

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

Position under shareholding guidelines

	Shareholding as at 30 Sept 2014* Number of shares	Actual Value** £000	Target Value*** £000	Achievement**** %	Shares held voluntarily in excess of guideline Number of shares
PC Slabbert	202 645	1,247	495	378	122,223
AG Lewis	121 110	745	378	296	59,697

* Taken from the table on page 70

** Using the closing share price on 30 September 2014 of 615p

*** 150% of current salary for Executive Directors for awards vesting up to December 2014 Salaries used are those effective 1 October 2014

**** 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 2014

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

As at 30 September 2014, the number of shares committed under discretionary share-based incentive schemes since 30 September 2002, 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 2,356,214 shares This represents 7 6% dilution against the 10% discretionary plan dilution limit

As at 30 September 2014, the number of shares committed under all employee share-based incentive schemes since 30 September 2002, 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 3,006,760 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 In December 2013 the Avon Rubber p l c Employee Share Ownership Trust No 1 subscribed to 300,000 new shares to be used in relation to future awards under the Plan At 30 September 2014 there were 1,081,810 shares held in the Employee Share Ownership Trust which will either be used to satisfy awards granted under the Plan to date, or in connection with future awards Of these, 624,214 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

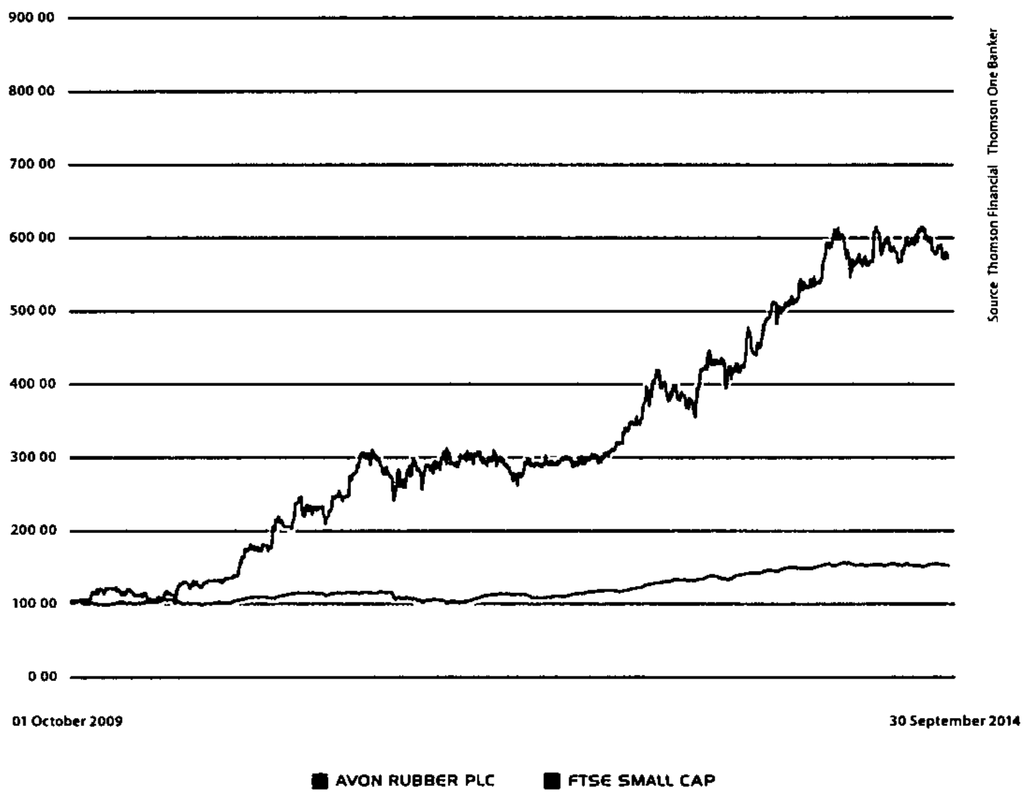


Table of historic data

	CEO	CEO single figure of total remuneration £000	Annual bonus pay out against maximum opportunity	Long term incentive vesting rates against maximum opportunity
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
2010	PC Slabbert	428	90%	nil

Share Incentive Plan

During the year to 30 September 2014 Mr Slabbert and Mr Lewis each purchased 263 shares pursuant to the Share Incentive Plan

As at 30 September 2014, the market price of Avon Rubber p l c shares was £6 155 (2013 £5 50) During the year the highest and lowest market prices were £6 67 and £5 16 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 58 to 59 and associated commentary

Details of the advisors to the Remuneration Committee and their fees

During the year to 30 September 2014 the Company incurred costs of £11,750 (2013 £3,750) 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 2013 at the AGM which took place on 6 February 2014 was as follows

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the renumeration report	21,434,185	99 23	166,591	0 77	21,600,776	355,188

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
19 November 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 Statutory £'000	2014 Adjustments* £'000	2014 Adjusted £'000	2013 Statutory** £ 000	2013 Adjustments* £ 000	2013 Adjusted £ 000
Revenue	1	124,779	-	124,779	124,851	-	124,851
Cost of sales		(83,264)	-	(83,264)	(91,140)	-	(91,140)
Gross profit		41,515	-	41,515	33,711	-	33,711
Selling and distribution costs		(11,505)	-	(11,505)	(9,101)	-	(9,101)
General and administrative expenses		(15,685)	2,678	(13,007)	(11,607)	1,220	(10,387)
Operating profit	1	14,325	2,678	17,003	13,003	1,220	14,223
Operating profit is analysed as							
Before depreciation and amortisation		20,486	2,417	22,903	19,220	803	20,023
Depreciation and amortisation	11,12	(6,161)	261	(5,900)	(6,217)	417	(5,800)
Operating profit		14,325	2,678	17,003	13,003	1,220	14,223
Finance income	4	1	-	1	1	-	1
Finance costs	4	(275)	-	(275)	(348)	-	(348)
Other finance expense	4	(187)	12	(175)	(253)	33	(220)
Profit before taxation	5	13,864	2,690	16,554	12,403	1,253	13,656
Taxation	6	(3,053)	(450)	(3,503)	(3,566)	(122)	(3,688)
Profit for the year		10,811	2,240	13,051	8 837	1,131	9,968
Other comprehensive expense							
Items that are not subsequently reclassified to the income statement							
Actuarial loss recognised on retirement benefit scheme	10	(4,851)	-	(4,851)	(9,180)	-	(9,180)
Items that may be subsequently reclassified to the income statement							
Net exchange differences offset in reserves		(306)	-	(306)	(74)	-	(74)
Other comprehensive expense for for the year, net of taxation		(5,157)	-	(5,157)	(9,254)	-	(9,254)
Total comprehensive income / (expense) for the year		5,654	2,240	7,894	(417)	1,131	714
Earnings per share	8						
Basic		36 2p		43 7p	30 0p		33 8p
Diluted		35 0p		42 3p	28 8p		32 5p

* See page 19 for further details of adjustments

** Restated for the change in accounting for pension costs See Accounting Policies

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Intangible assets	11	**17,240**	16,541
Property, plant and equipment	12	**19,575**	20,387
		36,815	36,928
Current assets			
Inventories	13	**12,887**	13,374
Trade and other receivables	14	**19,157**	20,677
Derivative financial instruments	19	**2**	214
Cash and cash equivalents	15	**2,925**	184
		34,971	34,449
Liabilities			
Current liabilities			
Trade and other payables	16	**17,755**	16,680
Provisions for liabilities and charges	18	**1,846**	616
Current tax liabilities		**6,852**	6,073
		26,453	23,369
Net current assets		**8,518**	11,080
Non-current liabilities			
Borrowings	17	**-**	11 059
Deferred tax liabilities	6	**2,315**	2,977
Retirement benefit obligations	10	**16,029**	11,279
Provisions for liabilities and charges	18	**1,973**	1,997
		20,317	27312
Net assets		**25,016**	20,696
Shareholders' equity			
Ordinary shares	20	**31,023**	30,723
Share premium account	20	**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**(932)**	(626)
Accumulated losses		**(40,283)**	(44,609)
Total equity		**25,016**	20,696

These financial statements on pages 74 to 112 were approved by the Board of Directors on 19 November 2014 and signed on its behalf by

Peter Slabbert

Andrew Lewis

OVERVIEW OF THE YEAR | HOW WE RUN OUR BUSINESS | HOW WE PERFORMED | SHAREHOLDER INFORMATION

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated before the impact of exceptional items		**26,500**	15,541
Cash impact of exceptional items		**(983)**	(241)
Cash generated from operations	21	**25,517**	15,300
Finance income received		**1**	1
Finance costs paid		**(315)**	(365)
Retirement benefit deficit recovery contributions		**(513)**	(592)
Tax paid		**(2,903)**	(2,229)
Net cash generated from operating activities		**21,787**	12,115
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**19**	2
Purchase of property, plant and equipment		**(3,753)**	(6,339)
Capitalised development costs and purchased software		**(3,062)**	(4,715)
Acquisition of VR Technology Holdings	26	**(50)**	(439)
Net cash used in investing activities		**(6,846)**	(11,491)
Cash flows from financing activities			
Net movements in loans	22	**(10,805)**	2,281
Dividends paid to shareholders	7	**(1,422)**	(1,132)
Purchase of own shares	20	**-**	(1,765)
Net cash used in financing activities		**(12,227)**	(616)
Net increase in cash, cash equivalents and bank overdrafts		**2,714**	8
Cash, cash equivalents and bank overdrafts at beginning of the year		**184**	176
Effects of exchange rate changes		**27**	-
Cash, cash equivalents and bank overdrafts at end of the year	22	**2,925**	184

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 October 2012		30,723	34,708	(52)	(41,482)	23,897
Profit for the year **		-	-	-	8,837	8,837
Unrealised exchange differences on overseas investments		-	-	(74)	-	(74)
Actuarial loss recognised on retirement benefit scheme **	10	-	-	-	(9,180)	(9,180)
Total comprehensive expense for the year		-	-	(74)	(343)	(417)
Dividends paid		-	-	-	(1,132)	(1,132)
Purchase of shares by the employee benefit trust	20	-	-	-	(1,765)	(1,765)
Movement in respect of employee share scheme	24	-	-	-	113	113
At 30 September 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	7	-	-	-	**(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**

Other reserves consist of the capital redemption reserve of £500,000 (2013 £500,000) and the translation reserve of £932,000 (2013 £626,000)

All movement in other reserves relates to the translation reserve

** Restated for the change in accounting for pension costs See Accounting Policies

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 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 International Financial Reporting Interpretations Committee (IFRIC) The Group's approach to these is as follows

a) Standards, amendments and interpretations effective in 2014

The following standards and amendments have been adopted for the year ended 30 September 2014

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

The amendment to IAS 19, 'Employee Benefits' is effective for the financial year beginning 1 October 2013 The main changes affecting the Group are as follows

- Interest income or expense will now be calculated by applying the discount rate to the net defined benefit liability or asset Previously interest cost was calculated on the defined benefit obligation and expected return calculated on plan assets
- Costs associated with investment management are deducted from the return on plan assets (which is unchanged from the previous standard) Other expenses are recognised in the income statement as incurred

This has resulted in an increase in the costs charged to the income statement of £0 8m for the year ending 30 September 2014 over the cost under the previous standard and a 2 6p reduction in earnings per share, with a similar impact on the comparatives for the year ended 30 September 2013 as shown below

		Year to 30 September 2013	
	Reported £ 000	Restate £ 000	Restated £ 000
Operating profit	13 423	(420)	13 003
Finance income	1		1
Finance costs	(348)	-	(348)
Other finance income/(expense)	118	(371)	(253)
Profit before taxation	13 194	(791)	12,403
Taxation	(3 566)	-	(3 566)
Profit for the year	9 628	(791)	8,837
Actuarial loss recognised on retirement benefit scheme	(9 971)	791	(9 180)
Net exchange differences offset in reserves	(74)	-	(74)
Other comprehensive expense for the year, net of taxation	(10 045)	791	(9,254)
Total comprehensive expense for the year	(417)	-	(417)
Earnings per share			
Basic	32 7p	(2 7p)	30 0p
Diluted	31 4p	(2 6p)	28 8p

In the analysis above, the discount rate has been applied to the net deficit Administration costs have been charged against operating profit and investment management costs have been included in other comprehensive expense

On the face of the consolidated statement of comprehensive income, adjusted results have been disclosed which exclude defined benefit pension scheme costs as these relate to a scheme closed to future accrual and are not therefore relevant to current operations
No adjustment has been made to other comprehensive expense

The classification of overhead costs between selling and distribution costs and general and administrative expenses has been represented to provide more relevant information There is no impact on operating profit

b) Standards, amendments and interpretations to existing standards issued but not yet effective in 2014 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 2013 and have not been adopted early

- Amendment to IFRS 7, 'Financial instruments disclosures'
- IFRS 9 'Financial instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- Amendment to IAS 32, 'Financial instruments presentation'
- Amendment to IAS 36, 'Impairment of assets'
- Amendment to IAS 39, 'Financial instruments recognition and measurement'
- Annual improvements cycle 2009-2011

Basis of consolidation

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights

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

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

Foreign currencies

The Group's presentation currency is sterling The results and financial positional 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, which is usually when title passes or a separately identifiable phase of a contract or development has been completed and accepted by the customer

Segment reporting

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

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 (which is unchanged from the previous standard) 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 at least annually or whenever there is an indication that the asset may be impaired Any impairment is recognised immediately in the consolidated statement of comprehensive income Subsequent reversals of impairment losses for research and development are not recognised

Computer Software

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

Property plant and equipment

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

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

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

In general, the rates used are

Freehold – 2 5%

Short leasehold property – over the period of the lease

Plant and machinery – 6% to 50%

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

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

Leases

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

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade payables

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

Provisions

Provisions are recognised when

- the 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 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 (R) 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 acquisitions, including goodwill, at fair value Intangible assets which have an indefinite useful life principally goodwill, are assessed annually for impairment

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

Impairment charges are made if there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the assets based upon discounted cash flow projections using an appropriate risk weighted discount factor Rates used were between 10% and 15%

Provisions

Provisions are made in respect of 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 the UK and the US

Business segments

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

The Protection & Defence segment includes £43 4m (2013 £51 9m) 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 2013

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	93,137	31,714		124,851
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	16,136	5,835	(1,948)	20,023
Depreciation of property, plant and equipment	(3,221)	(623)	(52)	(3,896)
Amortisation of development costs and software	(1,868)	(32)	(4)	(1,904)
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	11,047	5,180	(2,004)	14,223
Amortisation of acquired intangibles	(417)			(417)
Exceptional items	(383)			(383)
Defined benefit pension scheme costs			(420)	(420)
Segment result	10,247	5,180	(2,424)	13,003
Finance income			1	1
Finance costs			(348)	(348)
Other finance expense			(253)	(253)
Profit before taxation	10,247	5,180	(3,024)	12,403
Taxation			(3,566)	(3,566)
Profit for the year	10,247	5,180	(6,590)	8,837
Segment assets	57,556	11,748	2,073	71,377
Segment liabilities	10,691	3,371	36,619	50,681
Other segment items				
Capital expenditure				
- intangible assets	3,474	304	809	4,587
- property, plant and equipment	4,665	1,419	91	6,175

Geographical segments by origin

year ended 30 September 2014

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

year ended 30 September 2013

	UK £'000	US £'000	Group £'000
Revenue	24,028	100,823	124,851
Non-current assets	4,897	32,031	36,928

2 EXPENSES BY NATURE

	2014 £'000	2013 £'000
Changes in inventories of finished goods and work in progress	**3,343**	1,828
Raw materials and consumables used	**50,139**	49,954
Employee benefit expense (note 9)	**32,423**	33,314
Depreciation and amortisation charges (notes 11 and 12)	**6,161**	6,217
Transportation expenses	**1,457**	2,173
Operating lease payments	**1,809**	1,705
Travelling costs	**2,377**	2,465
Legal and professional fees	**2,573**	2,185
Other expenses	**10,172**	12,007
Total cost of sales, selling and distribution costs and general and administrative expenses	**110,454**	111,848

3 AMORTISATION OF ACQUIRED INTANGIBLE ASSETS AND EXCEPTIONAL ITEMS

	2014 £'000	2013 £'000
Amortisation of acquired intangible assets (note 11)	**261**	417

Exceptional items

	2014 £'000	2013 £'000
Relocation of AEF facility	-	304
Relocation of Lawrenceville facility	**2,017**	-
Acquisition costs	-	79
	2,017	383

The tax impact of the above is a £0 45m reduction in overseas tax payable (2013 £0 12m)

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

The acquisition costs in 2013 relate to the purchase of VR Technology Holdings and other potential acquisitions investigated that year

4 FINANCE INCOME AND COSTS

	2014 £'000	2013 £'000
Interest payable on bank loans and overdrafts	**(275)**	(348)
Finance income	**1**	1
	(274)	(347)

Other finance expense

	2014 £'000	2013 £'000
Net interest cost UK defined benefit pension scheme (note 10)	**(12)**	(33)
Provisions Unwinding of discount (note 18)	**(175)**	(220)
	(187)	(253)

5 PROFIT BEFORE TAXATION

	2014 £'000	2013 £'000
Profit before taxation is shown after crediting		
Gain on foreign exchange	-	230
and after charging:		
Loss on foreign exchange	**137**	-
Loss on disposal of property, plant and equipment	**209**	24
Loss on disposal of intangibles	**149**	62
Depreciation on property, plant and equipment	**4,127**	3,896
Repairs and maintenance of property plant and equipment	**735**	848
Amortisation of development costs and software	**1,773**	1,904
Amortisation of acquired intangibles	**261**	417
Research and development	**2,533**	2,780
Impairment of inventories	**182**	438
Impairment of trade receivables	-	5
Operating leases	**1,809**	1,705
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	**80**	80
	110	110
Compensation received regarding taxation services	-	(128)
Total fees	**110**	(18)

During 2013 £128,000 was received from the Group's auditors in relation to a claim for compensation regarding taxation services provided in the US for previous years

OVERVIEW OF THE YEAR

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

SHAREHOLDER INFORMATION

6 TAXATION

	2014 £'000	2013 £'000
Overseas current tax	**4,605**	3,313
Overseas adjustment in respect of previous periods	**(961)**	(139)
Total current tax	**3,644**	3,174
Deferred tax - current year	**(185)**	253
Deferred tax – adjustment in respect of previous periods	**(406)**	139
Total deferred tax	**(591)**	392
Total tax charge	**3,053**	3,566

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

	2014 £'000	2013 £'000
Profit before taxation	**13,864**	12,403
Profit before taxation at the average standard rate of 22.0% (2013 23.5%)	**3,050**	2,915
Permanent differences	**179**	(238)
Losses for which no deferred taxation asset was recognised	**397**	255
Differences in overseas tax rates	**794**	634
Adjustment in respect of previous periods	**(1,367)**	-
Tax charge	**3,053**	3,566

The income tax charged directly to equity during the year was £nil (2013 £nil)

6 TAXATION (CONTINUED)

Deferred tax liabilities	**Accelerated capital allowances £'000**	**Other temporary differences £'000**	**Total £'000**
At 1 October 2012	3,538	(954)	2,584
Charged against/(credited to) profit for the year	(415)	807	392
Exchange differences	4	(3)	1
At 30 September 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**

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

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014 Accordingly the average standard rate for the year is 22%

A number of changes to the UK corporation tax system were announced in the March 2013 Budget Statement The Finance Bill 2013, which was substantively enacted on 2 July 2013, includes legislation reducing the main rate of corporation tax to 20% from 1 April 2015 Starting 1 April 2015 the small profits rate will be unified with the main rate so there will be only one corporation tax rate for non ring-fenced profits set at 20%

The change in rate had no material impact on the Group s deferred tax assets and liabilities as the Group's deferred tax liabilities are held in the US

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

	2014 £ 000	2013 £ 000
Losses	**(1,355)**	(2,753)
Accelerated capital allowances	**(733)**	(966)
Retirement benefit obligations	**(3,206)**	(2,256)
Other	**(1,529)**	(1,555)
	(6,823)	(7,530)

7 DIVIDENDS

On 6 February 2014 the shareholders approved a final dividend of 2 88p per qualifying ordinary share in respect of the year ended 30 September 2013 This was paid on 21 March 2014 absorbing £862,000 of shareholders' funds

On 30 April 2014 the Board of Directors declared an interim dividend of 1 87p (2013 1 44p) per qualifying ordinary share in respect of the year ended 30 September 2014 This was paid on 5 September 2014 absorbing £560,000 (2013 £424,000) of shareholders' funds

After the balance sheet date the Board of Directors proposed a final dividend of 3 74p per qualifying ordinary share in respect of the year ended 30 September 2014, which will absorb an estimated £1,120,000 of shareholders' funds Subject to shareholder approval, the dividend will be paid on 20 March 2015 to shareholders on the register at the close of business on 20 February 2015 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 70) Adjusted earnings per share removes the effect of the amortisation of acquired intangible assets, exceptional items and defined benefit pension scheme costs

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

	2014	2013
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**29,871**	29,451
Potentially dilutive shares (weighted average) (thousands)	**979**	1,231
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,850**	30,682

	2014 £'000	**2014 Basic eps pence**	**2014 Diluted eps pence**	2013 £ 000	2013 Basic eps pence	2013 Diluted eps pence
Profit attributable to equity shareholders of the Company	**10,811**	**36 2**	**35 0**	8,837	30 0	28 8
Adjustments	**2,240**	**7 5**	**7 3**	1,131	3 8	3 7
Profit excluding amortisation of acquired intangible assets, exceptional items and defined benefit pension scheme costs	**13,051**	**43 7**	**42 3**	9,968	33 8	32 5

9 EMPLOYEES

The total remuneration and associated costs during the year were

	2014 £'000	2013 £'000
Wages and salaries	**26,944**	27,181
Social security costs	**2,263**	2,563
Other pension costs	**1,023**	822
US healthcare costs	**2,105**	2,635
Share based payments (note 24)	**88**	113
	32,423	33,314

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid director, are given on pages 67 to 73

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

	2014 Number	2013 Number
By business segment		
Protection & Defence	**541**	533
Dairy	**200**	200
Other	**9**	9
	750	742

At the end of the financial year the total number of employees in the Group was 757 (2013 747)

Key management compensation

	2014 £'000	2013 £'000
Salaries and other employee benefits	**2,436**	1,641
Post employment benefits	**120**	101
Share based payments	**54**	70
	2,610	1,812

The key management compensation above includes the Directors plus three (2013 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

	2014 £'000	2013 £'000
Pension liability	**16,029**	11,279

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 scheme was closed to future accrual of benefit on 1 October 2009 The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan Four of the Directors are appointed by the Group 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 actuarial value of those assets represented 98 0% of the value of the benefits which had accrued to members after allowing for future increases in pensions

During the year the Group made payments to the fund of £513,000 (2013 £592,000) 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 2015 of £300,000 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 (R) purposes was carried out by an independent actuary at 30 September 2014 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	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
At 1 October	**(300,326)**	(284,543)	**289,047**	282,305	**(11,279)**	(2,238)
Included in profit or loss						-
Administrative expenses	**(400)**	(420)	-	-	**(400)**	(420)
Net interest cost	**(322)**	(4,126)	**310**	4,093	**(12)**	(33)
	(722)	(4,546)	**310**	4,093	**(412)**	(453)
Included in other comprehensive income						
Remeasurement (loss)/gain						
- Actuarial gain/(loss) arising from						
- demographic assumptions	-	2,197	-	-	-	2,197
- financial assumptions	**(23,277)**	(28,133)	-	-	**(23,277)**	(28,133)
- experience adjustment	**(7,586)**	(1,078)	-	-	**(7,586)**	(1,078)
- Return on plan assets excluding interest income	-	-	**26,012**	17834	**26,012**	17,834
	(30,863)	(27,014)	**26,012**	17,834	**(4,851)**	(9,180)
Other						
Contributions by the employer	-	-	**513**	592	**513**	592
Net benefits paid out	**15,082**	15,777	**(15,082)**	(15,777)	-	-
At 30 September	**(316,829)**	(300 326)	**300,800**	289,047	**(16,029)**	(11,279)

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Plan assets

	30 Sept 2014 £'000	30 Sept 2013 £ 000
Equities	**146,224**	130,293
Liability Driven Investment	**97,286**	84,689
Corporate bonds	**31,016**	30,696
Cash	**26,274**	43,369
Total fair value of assets	**300,800**	289,047

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

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 50% allocation to liability driven investment funds and cash and 50% to return-seeking investments

Actuarial assumptions

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

	2014 % p a	2013 % p a
Inflation (RPI)	**3 00**	3 10
Inflation (CPI)	**1 90**	2 10
Pension increases post August 2005	**2 00**	2 10
Pension increases pre August 2005	**2 80**	3 00
Discount rate for scheme liabilities	**4 10**	4 50

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Mortality rate

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

	2014	2013
Male	**22 1**	22 0
Female	**24 3**	24 2

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

	2014	2013
Male	**23 5**	23 4
Female	**25 8**	25 7

Sensitivity analysis

	Defined benefit obligation
	Increase/(decrease) £ 000
Inflation (RPI) (0 25% increase)	6,967
Discount rate for scheme liabilities (0 25% increase)	(10,939)
Future mortality (1 year increase)	9,853

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 2014 was £415,000 (2013 £353,000)

11 INTANGIBLE ASSETS

	Goodwill £000	Acquired intangibles £'000	Development expenditure £000	Computer software £000	Total £000
At 1 October 2012					
Cost	-	-	21,778	1,736	23,514
Accumulated amortisation and impairment	-	-	(9,136)	(1,097)	(10,233)
Net book amount	-	-	12,642	639	13,281
Year ended 30 September 2013					
Opening net book amount	-	-	12,642	639	13,281
Exchange differences	-	-	68	2	70
Additions	-	167	3,317	1,103	4,587
Acquisition (note 26)	63	923	-	-	986
Disposals	-	-	(62)	-	(62)
Amortisation	-	(417)	(1 837)	(67)	(2,321)
Closing net book amount	63	673	14,128	1 677	16,541
At 30 September 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**

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, order book on acquisition and brands and are amortised over 3 years

12 PROPERTY, PLANT AND EQUIPMENT

	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2012				
Cost	1,382	425	38,128	39,935
Accumulated depreciation and impairment	(255)	(253)	(21,549)	(22,057)
Net book amount	1,127	172	16,579	17,878
Year ended 30 September 2013				
Opening net book amount	1,127	172	16,579	17,878
Exchange differences	5	4	138	147
Additions	2 017	32	4,126	6 175
Acquisition (Note 26)	-	-	109	109
Reclassifications	28	-	(28)	-
Disposals	-	-	(26)	(26)
Depreciation charge	(142)	(127)	(3,627)	(3,896)
Closing net book amount	3,035	81	17,271	20,387
At 30 September 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**

13 INVENTORIES

	2014 £'000	2013 £'000
Raw materials	**8,876**	6,020
Work in progress	**2,151**	2,481
Finished goods	**1,860**	4,873
	12,887	13,374

Provisions for inventory write downs were £1,554,000 (2013 £1,710,000)
The cost of inventories recognised as an expense and included in cost of sales amounted to £53,482,000 (2013 £51,782,000)

14 TRADE AND OTHER RECEIVABLES

	2014 £'000	2013 £'000
Trade receivables	**15,544**	17,009
Less provision for impairment of receivables	**(249)**	(269)
Trade receivables – net	**15,295**	16,740
Prepayments	**1,316**	1,141
Other receivables	**2,546**	2,796
	19,157	20,677

Other receivables include £956,000 (2013 £956,000) in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire UK The remaining balance comprises sundry receivables

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

	2014 £'000	2013 £'000
At 1 October	**269**	381
Provision for impairment of receivables	**-**	5
Receivables written off during the year as uncollectable	**(20)**	(117)
At 30 September	**249**	269

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

	2014 £'000	2013 £'000
Cash at bank and in hand	**2,925**	184

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

	2014 £'000	2013 £'000
Trade payables	**440**	4,139
Other taxation and social security	**629**	282
Other payables	**152**	3,289
Accruals and deferred income	**16,534**	8,970
	17,755	16,680

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

17 BORROWINGS

	2014 £'000	2013 £'000
Non-current		
Bank loans	-	11,059
Total borrowings	-	11,059
The maturity profile of the Group's borrowings at the year end was as follows		
In one year or less, or on demand	-	-
Between one and two years	-	11,059
Between two and five years	-	-
	-	11,059

17 BORROWINGS (CONTINUED)

The Group has the following undrawn committed facilities

	2014 £'000	2013 £'000
Expiring beyond one year	**24,191**	12,518
Total undrawn committed borrowing facilities	**24,191**	12,518
Bank loans and overdrafts utilised	**-**	11,059
Utilised in respect of guarantees	**337**	341
Total Group facilities	**24,528**	23,918

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 2017 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 2014 and 2013

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

	2014 Sterling %	2014 Dollar %	2013 Sterling %	2013 Dollar %
Bank loans	**-**	**-**	2 2	2 8

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Facility relocation £000	Property obligations £000	Total £000
Balance at 1 October 2012	-	2,993	2,993
Unwinding of discount	-	220	220
Payments in the year	-	(600)	(600)
Balance at 30 September 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**

Analysis of total provisions	**2014 £'000**	2013 £000
Non-current	**1,973**	1,997
Current	**1,846**	616
	3,819	2,613

Property obligations include an onerous lease provision of £2 3m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK £0 5m of this provision is expected to be utilised in 2015, and the remaining £1 8m over the following six 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 seven 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 relates 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 This is expected to be utilised within 12 months

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

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

Exposure to credit risk

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

Carrying amount	2014 £ 000	2013 £ 000
Trade receivables	**15,295**	16,740
Other receivables	**2,546**	2,796
Cash and cash equivalents	**2,925**	184
Forward exchange contracts used for hedging	**2**	214
	20,768	19,934

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

Carrying amount of financial assets	2014 £'000	2013 £ 000
Sterling	**4,307**	2,331
US dollar	**14,967**	16,380
Euro	**928**	585
Other currencies	**566**	638
	20,768	19,934

19 FINANCIAL INSTRUMENTS (CONTINUED)

Provisions against trade receivables

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

	Gross 2014 £'000	Provision 2014 £'000	Net 2014 £'000	Gross 2013 £'000	Provision 2013 £'000	Net 2013 £'000
Not past due	**13,914**	**-**	**13,914**	14,818	-	14,818
Past due 0-30 days	**1,111**	**-**	**1,111**	1,369	(19)	1,350
Past due 31-60 days	**369**	**(131)**	**238**	634	(130)	504
Past due 61-90 days	**135**	**(103)**	**32**	116	(62)	54
Past due more than 91 days	**15**	**(15)**	**-**	72	(58)	14
	15,544	**(249)**	**15,295**	17,009	(269)	16,740

The total past due receivables, net of provisions is £1,381,000 (2013 £1,922,000)

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 £24 5m (2013 £23 9m)

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 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**	**-**	**-**	**-**

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 2013						
Secured bank loans	11,059	11,507	299	11 208	-	-
Trade and other payables	16,398	16,398	16,398	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	4,125	4,125	-	-	-
- Inflow	(214)	-	-	-	-	-
	27,243	32,030	20 822	11,208	-	-

(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 2014 was a £2,000 asset (2013 £214,000 asset) comprising an asset of £2,000 (2013 £214,000) and a liability of nil (2013 nil)

All forward exchange contracts in place at 30 September 2014 mature within one year

19 FINANCIAL INSTRUMENTS (CONTINUED)

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 £415,000 (2013 £368,000) impact on the Group's current year profit before interest and tax and a £317,000 (2013 £294,000) impact on the Group's profit after tax The method of estimation, which has been applied consistently, involves assessing the translation impact of the US dollar

The following significant exchange rates applied during year

	Average rate 2014	**Closing rate 2014**	Average rate 2013	Closing rate 2013
US dollar	**1 654**	**1 631**	1 559	1 612
Euro	**1 221**	**1 281**	1 188	1 191

(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 but with net cash of £2 9m (2013 net debt £10 9m) a 1% increase in interest rates would have no impact on interest costs (2013 increase of £0 1m)

The floating rate financial liabilities in 2013 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 cash/(debt) at the balance sheet date was

	2014 £'000	2013 £ 000
Total borrowings	**-**	(11,059)
Cash and cash equivalents	**2,925**	184
Group net cash/(debt)	**2,925**	(10 875)
Market capitalisation of the Group at 30 September	**190,947**	168,978
Gearing ratio	**N/A**	6 0%

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

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 2014 £'000	**Fair value 2014 £'000**	Carrying amount 2013 £'000	Fair value 2013 £'000
Trade receivables	**15,295**	**15,295**	16,740	16,740
Other receivables	**2,546**	**2,546**	2,796	2,796
Cash and cash equivalents	**2,925**	**2,925**	184	184
Forward exchange contracts	**2**	**2**	214	214
Secured loans	**-**	**-**	(11,059)	(11,059)
Trade and other payables	**(17,126)**	**(17,126)**	(16,398)	(16,398)
	3,642	**3,642**	(7,523)	(7,523)

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

	2014 No of shares	2014 Ordinary shares £'000	2014 Share premium £'000	2013 No of shares	2013 Ordinary shares £ 000	2013 Share premium £ 000
Called up, allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	**30,723,292**	**30,723**	**34,708**	30 723 292	30,723	34,708
Issued during the year	**300,000**	**300**	**-**	-	-	-
At the end of the year	**31,023,292**	**31,023**	**34,708**	30,723,292	30,723	34 708

During the year, 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 54-73

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

At 30 September 2014 1,081,810 (2013 1,242,111) 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 by the trust at 30 September 2014 was £6,659,000 (2013 £6,832,000) These shares are held at cost as treasury shares and deducted from shareholders' equity

During 2013 the trust acquired 522,000 shares at a cost of £1,765 000 In 2014, 460,301 (2013 680,070) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan

21 CASH GENERATED FROM OPERATIONS

	2014 £'000	2013 £'000
Profit for the year	**10,811**	8,837
Adjustments for		
Taxation	**3,053**	3,566
Depreciation	**4,127**	3,896
Amortisation of intangible assets	**2,034**	2,321
Defined benefit pension scheme cost	**400**	420
Finance income	**(1)**	(1)
Finance costs	**275**	348
Other finance expense	**187**	253
Loss on disposal of intangibles	**149**	62
Loss on disposal of property, plant and equipment	**209**	24
Movement in respect of employee share scheme	**88**	113
Decrease in inventories	**370**	2,259
Decrease/(increase) in receivables	**1,479**	(6,295)
Increase/(decrease) in payables and provisions	**2,336**	(503)
	25,517	15,300

22 ANALYSIS OF NET CASH / (DEBT)

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

	At 1 Oct 2013 £'000	Cash flow £'000	Exchange movements £'000	**At 30 Sept 2014 £'000**
Cash at bank and in hand	184	2,714	27	**2,925**
Net cash and cash equivalents	184	2,714	27	**2,925**
Debt due in more than 1 year	(11,059)	10,805	254	**-**
	(10,875)	13,519	281	**2,925**

23 OTHER FINANCIAL COMMITMENTS

	2014 £'000	2013 £'000
Capital expenditure committed	**738**	918

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

	2014 £'000	2013 £'000
Within one year	**1,983**	2,052
Between 1 and 5 years	**4,024**	5,025
Later than 5 years	**5,755**	6,472
	11,762	13,549

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 page 70 and are incorporated by reference into these financial statements The charge against profit of £88,000 (2013 £113,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions

	2014	2013
Weighted average fair value (£)	**0 38**	0 21
Key assumptions used		
Weighted average share price (£)	**5 75**	3 41
Volatility (%)	**31**	39
Risk-free interest rate (%)	**0 9**	1 75
Expected option term (yrs)	**3 0**	3 0
Divided yield (%)	**1 1**	1 0

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 (2013 £nil) Key management compensation is disclosed in note 9

26 ACQUISITION

On 26 April 2013 Avon Polymer Products Limited acquired 100% of the share capital of VR Technology Holdings Limited (VR), a market leader in diving rebreather systems and dive computers, for consideration of £833,000

	Book value £ 000	Accounting policy alignment £ 000	Fair value adjustment £ 000	Fair value £ 000
Intangible assets	-	301	622	923
Property, plant and equipment	109	-	-	109
Inventories	36	-	-	36
Trade and other receivables	137	-	-	137
Cash and cash equivalents	64	-	-	64
Trade and other payables	(499)	-	-	(499)
Net assets acquired	(153)	301	622	770
Goodwill				63
Total consideration				833
Satisfied by				
Cash at completion				483
Deferred consideration paid				50
Deferred/contingent consideration due in future years				300
				833

The Directors have reviewed the goodwill for impairment and concluded that the carrying value is recoverable Full details of the review are not disclosed given the immateriality of the goodwill balance

The contingent consideration becomes payable over the next two 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 £200,000

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
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-Ames Limited	UK
VR Technology Holdings Limited	UK
Avon International Safety Instruments, Inc	US
Avon-Dairy America do sul Solucoes Para Ordentia LTDA	Brazil

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

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

Avon Rubber Pension Trust Limited is a pension fund trustee

Avon Rubber Overseas Limited and Avon Rubber & Plastics, Inc are investment holding companies

VR Technology Holdings Limited designs and manufactures diving rebreather systems and dive computers

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

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

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

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 2014 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

Avon Rubber p l c's financial statements comprise

- the Consolidated Balance Sheet as at 30 September 2014
- 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,
- the notes to the Group 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

Overview

MATERIALITY

- Overall Group materiality £815,000 which represents 5% of the Group profit before tax, excluding the exceptional item of £2 0m relating to the closure of the facility in Lawrenceville, and the impact of IAS 19 (revised) on defined benefit pension scheme administrative costs which have been reclassified into the income statement

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 92% of Group revenue and £15 3m of the total Group profit before tax, excluding the exceptional item of £2 0m and pension administritive costs of £0 4m
- Specific audit procedures were also performed by the UK audit team on certain other balances and transactions at the remaining five reporting units

AREAS OF FOCUS

- Provisions for uncertain tax positions
- Pension liabilities
- Intangible assets (development expenditure) impairment assessment
- Adequacy of working capital provisions
- 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 is evidence of bias by the directors that may represent 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 together with an explanation of how we tailored our audit to address these specific areas 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 As noted in the critical accounting judgements section on page 82 and included in note 6, liabilities are recognised for any tax positions which are uncertain in each relevant tax jurisdiction We focused on this area because there are material uncertain tax positions arising from the judgemental interpretation of the impact of the application of aspects of tax regulation in certain jurisdictions The directors have had to estimate the likelihood of the future outcome in each case, with the valuation of any provision involving a high degree of judgement In conjunction with this assessment, the directors have determined that no deferred tax assets in respect of tax losses should be recognised This is based on a number of factors including whether there will be sufficient taxable profits in future periods to support recognition	We requested and obtained correspondence between the Group and the relevant tax authorities in each tax jurisdiction for which an uncertain tax position has been recognised, and based on our understanding of the relevant tax regulation and independent consideration of the correspondence with the authorities challenged the directors' assumptions surrounding ■ the interpretation of the relevant regulation and likely outcome, ■ the nature of the taxable deductions taken and the consistency in the basis for the provision, and ■ the likelihood of settlement and the amount of provisions required in each jurisdiction, taking into consideration historic precedent 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 balances in the financial statements We evaluated the directors' assessment of the availability of future taxable profits in each jurisdiction to determine whether a deferred tax asset should be recognised, by comparing the forecasts of future profits to historical results, and considering the impact of any uncertain tax strategies
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 0m recognised under IAS19, in the context of the overall Group Balance Sheet The valuation of 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 rates that impact the measurement of future liabilities A change in each of the above assumptions by 0 25% can cause a material change in the value of the underlying pension deficit (as highlighted on page 95)	We considered and challenged the reasonableness of the key actuarial assumptions selected by the directors by comparing these to our 'in-house' benchmark ranges based on our assessment of current market conditions and the available actuarial data We evaluated whether the directors' judgements and assumptions had been made on a consistent basis including in comparison to prior financial years We also obtained supporting evidence for 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 used by actuaries in the IAS 19 calculation to independent sources, such as fund manager confirmations and/or quoted market prices where available

Area of focus	How our audit addressed the area of focus
Intangible assets (development expenditure) impairment assessment We focussed on this area because of the magnitude of capitalised development expenditure in the overall context of the Group Balance Sheet (£17 2m) and the risk that as the Group's product portfolio continues to expand, and as costs associated with new product development are capitalised, the resulting assets may not be recoverable if estimated future sales orders cannot be delivered or regulatory approvals are not obtained In particular we focussed on the capitalised development costs relating to the suite of Protection & Defence and Dairy products currently under development including Project Fusion, Deltair, PAPRs and EEBD, all of which are described on pages 15-16 of the Annual report	We tested a sample of capitalised development costs against the criteria set out in IAS38 'Intangible assets' and the Group's accounting policies, in particular focussing on the technical feasibility, the viability of the completion of the project and the ability for the project 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 controls and governance which have been put in place around project approval, authorisation and ongoing monitoring 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 We obtained evidence to support that regulatory approvals and future sales orders have been secured We note the Deltair and EEBD products both now have NIOSH approval, and Deltair products have been launched in the US
Adequacy of provisions As set out in the critical accounting judgements section on page 82, the directors review year-end working capital balances, such as inventory and trade receivables in each of the operating units and make provisions to adjust the carrying value of those assets to the directors' view of their recoverable amount Provisions are also made for contractual obligations such as onerous lease arrangements and dilapidation provisions, where the directors believe that the likelihood of settlement is probable We focus on this area due to the importance of working capital to the Group's ongoing operations and the degree of judgement the directors have to apply in determining the amount of provision required for each different element of the Group's working capital and operational requirements, and taking into consideration the aggregation of provisions across the individual operating locations	We evaluated whether provisions have been made on a consistent basis, 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 challenged 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 existence and physical condition of inventory held at 30 September 2014, and considered the adequacy of inventory provisions by comparing the outcomes of our visits with systems data along with reviewing the ageing of inventory held at 30 September 2014 We also evaluated the adequacy of property related provisions, shown in note 18, by obtaining evidence of the onenous contractual obligations We also obtained external valuation reports commissioned by the directors and assessed the assumptions underpinning the calculation of the provisions required against the value of properties held and our knowledge of the business and the property portfolio
Risk of fraud in revenue recognition Provisions made against revenue require judgements based on certain contractual arrangements, which require the directors to estimate the amount which may be due back to customers and which should not be recognised as revenue ISAs (UK & Ireland) also presumes there is a risk of fraud in revenue recognition on every audit engagement We focused on whether the judgements made by the directors across the portfolio of contracts were made on a consistant basis in accordance with contractual terms	We obtained the calculations of contractual revenue provisions and challenged the key assumptions and judgements made by the directors and the expected timing of settlement, based on our independent reading of the relevant contractual terms and understanding of the contracts In doing so, we also assessed whether the Group was entitled to, and appropriately recognised, revenue in line with their contractual obligations and their revenue recognition policy We also examined the associated contracts and sales activity in the year to create our own expectation of the provision required

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 account for 92% of the Group's revenue and £15 3m of Group profit before tax, excluding the exceptional item of £2 0m and the defined benefit pension scheme administrative costs of £0 4m

Specific audit procedures were also performed by the UK team on certain balances and transactions material to the Group financial statements at the five remaining reporting units This, 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 is 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 and to evaluate 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	£815,000 (2013 £650 000)

How we determined it	5% of profit before tax, excluding the 'one off' exceptional item of £2 0m relating to the closure of the Lawrenceville location based in the USA, and the £0 4m impact of the reclassification of pension scheme administrative costs to the income statement on adoption of IAS19 (revised)

Rationale for benchmark applied	We have applied this profit based benchmark, a generally accepted auditing practice in the absence of indicators that an alternative benchmark would be appropriate The exceptional item has been excluded as it is considered to be a one-off non-recurring item The costs for the defined benefit pension scheme, which is closed to new entrants, have been added back as these costs have previously been included in the actuarial movements in other comprehensive income and have not previously been included within profit before tax The exclusion of these items provides us with a consistent year-on-year basis for determining materiality

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 (2013 £32,500), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 50, in relation to going concern We have nothing to report having performed our review

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting 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 arising from this responsibility
■ the statement given by the directors on page 45, 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 arising from this responsibility
■ the section of the Annual Report on pages 52 and 53, 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 arising from this responsibility

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 these responsibilities

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with nine 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 44, 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 2014 and on the information in the Directors' Remuneration Report that is described as having been audited

M R Ellis

Mark Ellis
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
19 November 2014

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 2014,
- 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

Avon Rubber p l c's financial statements comprise

- the Parent Company Balance Sheet as at 30 September 2014, and
- the Parent Company Accounting Policies, and
- the Notes to the Parent Company financial statements, and 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 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 44, 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 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 2014

Mark Ellis

Mark Ellis
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
19 November 2014

PARENT COMPANY BALANCE SHEET

AT 30 SEPTEMBER 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed Assets					
Tangible assets	4		**346**		788
Investments	5		**75,540**		75,540
			75,886		76,328
Current assets - debtors	7	**56,600**		53,304	
Creditors - amounts falling due within one year	8	**6,573**		5,412	
Net current assets			**50,027**		47,892
Total assets less current liabilities			**125,913**		124,220
Creditors - amounts falling due after more than one year					
Bank loans and overdrafts	9	-		3 208	
Provisions for liabilities	10	**2,211**		2,613	
			2,211		5,821
Net assets			**123,702**		118,399
Capital and reserves					
Share capital	11		**31,023**		30,723
Share premium account	12		**34,708**		34,708
Capital redemption reserve	12		**500**		500
Profit and loss account	12		**57,471**		52,468
Total shareholders' funds	13		**123,702**		118,399

These financial statements on pages 121 to 130 were approved by the Board of Directors on 19 November 2014 and were signed on its behalf by

Peter Slabbert

Andrew Lewis

OVERVIEW OF THE YEAR

HOW WE RUN OUR BUSINESS

HOW WE PERFORMED

SHAREHOLDER INFORMATION

PARENT COMPANY ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 10% and 15% 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 and no asset or provision has been reflected in the parent company's balance sheet for any surplus or deficit arising in respect of pension obligations

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

Provisions for liabilities

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

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

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

Tangible fixed assets
Tangible fixed assets are stated at cost, less amounts provided for depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Plant and machinery is depreciated using the straight line method at rates varying between 6% and 50% per annum

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

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

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

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

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

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 £6,637,000 (2013 £3,222,000)

The audit fee in respect of the parent company was £30,000 (2013 £30,000)

2 DIVIDENDS

On 6 February 2014 the shareholders approved a final dividend of 2 88p per qualifying ordinary share in respect of the year ended 30 September 2013 This was paid on 21 March 2014 absorbing £862,000 of shareholders' funds

On 30 April 2014 the Board of Directors declared an interim dividend of 1 87p (2013 1 44p) per qualifying ordinary share in respect of the year ended 30 September 2014 This was paid on 5 September 2014 absorbing £560,000 (2013 £424,000) of shareholders' funds

After the balance sheet date the Board of Directors proposed a final dividend of 3 74p per qualifying ordinary share in respect of the year ended 30 September 2014, which will absorb an estimated £1,120,000 of shareholders' funds Subject to shareholder approval, the dividend will be paid on 20 March 2015 to shareholders on the register at the close of business on 20 February 2015 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:

	2014 £ 000	2013 £ 000
Wages and salaries	**2,441**	1,535
Social security costs	**300**	299
Other pension costs	**145**	205
Share based payments	**88**	113
	2,974	2,152

Detailed disclosures of Directors' remuneration and share options are given on pages 54 to 73 of the Annual Report and Accounts

The average monthly number of employees (including Executive Directors) during the year was 7 (2013 7), all of whom were classified as administrative staff

4 TANGIBLE ASSETS

	Plant and machinery £'000
Cost	
At 1 October 2013	**1,071**
Additions at cost	**311**
Transfers to other Group companies	**(710)**
At 30 September 2014	**672**
Accumulated depreciation	
At 1 October 2013	**283**
Charge for the year	**43**
At 30 September 2014	**326**
Net book amount at 30 September 2014	**346**
Net book amount at 30 September 2013	788

5 INVESTMENTS

	Investment in subsidiaries £'000
Cost and net book value	
At 1 October 2013	**75,540**
At 30 September 2014	**75,540**

The investments consist of a 100% interest in the following subsidiaries

	Principal activity	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of rubber and polymer based products	UK
Avon Rubber Overseas Limited	Investment company	UK
Avon Rubber Pension Trust Limited	Pension Fund Trustee	UK
Avon Dairy Solutions (Shanghai) International Trading Company Limited	Trading company	China

Details of investments held by these subsidiaries are given in note 27 to the Group accounts on page 112

6 OTHER FINANCIAL COMMITMENTS

	2014 £'000	2013 £'000
Capital expenditure committed	-	4

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

	2014 Land and buildings £'000	2013 Land and buildings £'000
For leases expiring		
Within 1 year	-	-
In 2-5 years	**814**	814
Over 5 years	**153**	153
	967	967

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

7 DEBTORS

	2014 £'000	2013 £'000
Amounts owed by Group undertakings	**54,317**	51,627
Other debtors	**1,948**	1,001
Prepayments	**335**	676
	56,600	53,304

Other debtors include £956,000 (2013 £956,000) in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK The remaining balance comprises sundry receivables which are not individually significant for disclosure

8 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £ 000
Bank overdrafts	**38**	-
Amounts due to Group undertakings	**4,040**	3,051
Other creditors	**43**	486
Accruals	**2,452**	1,875
	6,573	5 412

9 BORROWINGS

	2014 £'000	2013 £'000
Current		
Bank overdrafts	**38**	-
Non-current		
Bank loans	-	3,208
Total borrowings	**38**	3,208

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

	2014 £'000	2013 £'000
In 1 year or less or on demand	**38**	-
Between 1 and 2 years	-	3,208
	38	3,208

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

	2014 £'000	2013 £'000
Sterling	**38**	1,347
US dollars	-	1,861
	38	3 208

On 9 June 2014 the Company agreed new bank facilities with Barclays Bank and Comerica Bank The facility comprises a revolving credit facility of $40m and expires on 30 November 2017 The 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 2014 and 2013

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 2012	2,993
Unwinding of discount	220
Payments in the year	(600)
Balance at 30 September 2013	2,613
Charged in the year	**408**
Unwinding of discount	**175**
Payments in the year	**(985)**
Balance at 30 September 2014	**2,211**

Analysis of provisions	**2014 £'000**	2013 £'000
Non-current	**1,129**	1,997
Current	**1,082**	616
	2,211	2,613

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 seven 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

	2014 £'000	2013 £'000
Called up, allotted and fully paid ordinary shares of £1 each		
31,023,292 (2013: 30,723,292) ordinary shares of £1 each	**31,023**	30,723

During the year 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 2012	34,708	500	52,030	87,238
Retained profit for the year	-	-	2,090	2,090
Movement in respect of employee share scheme	-	-	(1 652)	(1 652)
At 30 September 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**

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £'000	2013 £000
At the beginning of the year	**118,399**	117961
Profit for the financial year attributable to equity shareholders	**6,637**	3,222
Dividends paid	**(1,422)**	(1,132)
Purchase of shares by the employee benefit trust	**-**	(1 765)
Movement in respect of employee share scheme	**88**	113
At 30 September	**123,702**	118,399

During the year 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 2014 1,081,810 (2013 1,242,111) 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 2014 was £6 659 000 (2013 £6,832 000) These shares are held at cost as treasury shares and deducted from shareholders' equity

During 2013 the trust acquired 522,000 shares at a cost of £1,765,000 460,301 (2013 680,070) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share 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 page 70 and are incorporated by reference into these financial statements The charge against profit of £88,000 (2013 £113,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions

	2014	2013
Weighted average fair value (£)	**0 38**	0 21
Key assumptions used		
Weighted average share price (£)	**5 75**	3 41
Volatility (%)	**31**	39
Risk-free interest rate (%)	**0 9**	1 75
Expected option term (yrs)	**3 0**	3 0
Dividend yield (%)	**1 1**	1 0

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

FIVE YEAR RECORD

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 £'000	2013 £'000	2012 £ 000	2011 £ 000	2010 £ 000
Revenue	**124,779**	124,851	106,636	107,600	117,574
Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension costs	**17,003**	14,223	11,621	11,136	9,255
Amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	**(2,678)**	(1,220)	-	-	-
Operating profit	**14,325**	13,003	11,621	11,136	9 255
Net finance costs and other finance expense	**(461)**	(600)	(616)	(924)	(2,121)
Profit before taxation	**13,864**	12,403	11,005	10,212	7,134
Taxation	**(3,053)**	(3,566)	(3,176)	(3,094)	(2,808)
Profit attributable to equity shareholders	**10,811**	8 837	7,829	7,118	4 326
Ordinary dividends	**(1,422)**	(1,132)	(941)	(706)	-
Retained profit	**9,389**	7705	6,888	6,412	4,326
Intangible assets and property, plant and equipment	**36,815**	36,928	31,159	27,187	25,762
Working capital	**7,439**	11 512	9,278	11,714	9,628
Provisions	**(3,819)**	(2,613)	(2,993)	(3 208)	(4,373)
Pension (liability)/asset	**(16,029)**	(11,279)	(2,238)	280	(7134)
Deferred tax liability	**(2,315)**	(2,977)	(2,584)	(2,985)	(2,517)
Net cash/(borrowings)	**2,925**	(10,875)	(8,725)	(11 816)	(12,589)
Net assets employed	**25,016**	20,696	23,897	21,172	8,777
Financed by					
Ordinary share capital	**31,023**	30,723	30,723	30,723	30,723
Reserves attributable to equity shareholders	**(6,007)**	(10,027)	(6,826)	(9,551)	(21,946)
Total equity	**25,016**	20,696	23 897	21,172	8,777
Basic earnings per share	**36 2p**	30 0p	26 9p	25 2p	15 2p
Adjusted basic earnings per share	**43 7p**	33 8p	26 9p	25 2p	15 2p
Dividends per share paid in cash	**4 75p**	3 84p	3 2p	2 5p	-

2010, 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 2014

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 29 January 2015 at 10 30 a m for the following purposes

Ordinary Business

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

Resolution 1

To receive the Company's accounts and reports of the Directors and the Auditors for the year ended 30 September 2014

Resolution 2

To approve the Directors' Remuneration Report for the year ended 30 September 2014

Resolution 3

To declare a final dividend of 3 74p per ordinary share as recommended by the Directors

Resolution 4

To re-appoint Andrew Lewis as Director who retires by rotation

Resolution 5

To re-appoint Richard Wood as Director who retires by rotation

Resolution 6

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

Resolution 7

To authorise the Directors to determine the auditors' remuneration

Special Business

To consider and if thought fit, pass resolution 8 as an Ordinary Resolution and resolutions 9, 10 and 11 as Special Resolutions

Resolution 8

That in accordance with section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,341,097 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 9

That, subject to the passing of Resolution 8, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 8 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall

(a) be limited to the allotment of equity securities up to an aggregate nominal amount of £1,551,164, 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 Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

Resolution 10

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

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

(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 per cent) 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 11

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
19 November 2014

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 27 January 2015 (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 27 January 2015 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 41 of the Annual Report

(12) The issued share capital of the Company as at 19 November 2014 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 during normal business hours on any weekday 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, and
(iii) copies of the letters of appointment of the non-executive Directors of the Company

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

(15) Pursuant to Chapter 5 of Part 16 of the Act (sections 527 to 531) where requested by a member or members meeting the qualification criteria set out below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM Where the Company is required to publish such a statement on its website
(i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request
(ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website and
(iii) the statement may be dealt with as part of the business of the 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

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 2014 These are contained in the Company's 2014 Annual Report

Resolution 2 - Directors' Remuneration Report
This resolution seeks approval for the Directors' Remuneration Report for the year ended 30 September 2014 contained on pages 54 to 73 of the Annual Report
The Company's Remuneration Policy was approved by shareholders at the 2013 AGM and will remain in effect for three years or until shareholders are asked to approve an amended version No amendments to the Directors' Remuneration Policy are proposed at this year s AGM

Resolution 3 – Declaration of a dividend
A final dividend can only be paid after the shareholders have approved it at a general meeting If the meeting approves this Resolution, a final dividend in respect of the financial year ended 30 September 2014 of 3 74p will be paid

Resolutions 4&5 – Re-election of Directors
Andrew Lewis retires by rotation and, being eligible, offers himself for re-election
Richard Wood retires by rotation and, being eligible, offers himself for re-election
Stella Pirie will retire at the AGM and will not stand for re-election
Biographies of the Directors can be found on page 41 to of the Annual Report

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

Resolution 8 - Directors' authority to allot
This Resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the 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 complies with the Investment Management Association Share Capital Management Guidelines issued in July 2014 and 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 19 November 2014

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 9 – Disapplication of pre-emption rights

This Resolution will, if passed give the Directors power, pursuant to the authority to allot granted by Resolution 8, to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 19 November 2014 and renews the authority given at the annual general meeting in 2014

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 10 – Authority to purchase own shares

This resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution If passed, the resolution gives authority for the Company to purchase up to 4,653,492 ordinary shares of £1 each, representing just under 15% of the Company s issued ordinary share capital as at 19 November 2014

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 annual general meeting

As of 19 November 2014 there were options to subscribe outstanding over 932,765 ordinary shares, representing 3 01% of the Company's ordinary issued share capital If the authority given by Resolution 10 were to be fully exercised these options would represent 3 5% of the Company's ordinary issued share capital after cancellation of the re-purchased shares As of 19 November 2014 there were no warrants outstanding over ordinary shares

The Directors intend to exercise the power given by Resolution 10 only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the 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 10 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 11 - Notice of Meeting

Resolution 11 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 11 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

NOTES

2014 ANNUAL REPORT