

AVON POLYMER PRODUCTS LIMITED

DIRECTORS' REPORT

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

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

The directors of the company who were in office during the year and up to the date of signing the financial statements were as noted above

The directors present the annual report and audited financial statements of the company for the year ended 30 September 2012. The profit for the year amounts to £5,462,416 (2011 £3,395,929). Sales for the year totalled £21,575,742 (2011 £19,268,773). Full details are set out in the attached profit and loss account.

During the year the directors recommended and the company paid a dividend totalling £3,500,000 (2011 nil).

Dividends	2012 £	2011 £
Final paid (2012) £35,000 (2011 £0) per £1 share	3,500,000	-
Interim paid	-	-
	3,500,000	-

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

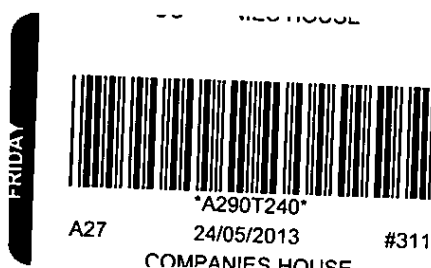
The company specialises in two areas: Protection & Defence and Dairy.

In the Protection & Defence business, sales were up by 14%. The increase in commercial sales, particularly in the Middle East and the increase in sales to our US subsidiaries drove the higher sales and the resulting increase in operating profit.

In the Dairy business, sales were up 9%, reflecting a robust market and, whilst input costs have remained volatile, we have sought to pass these increases on to our customers. Growth in our own brand, Milkrite, has resulted in higher margins, positively impacting operating profit.

The company is well placed to see continuation of strong performance in both areas of the business.

The business is subject to a number of risks and uncertainties. Discussion of these risks and uncertainties, in the context of the Avon Rubber Group, is provided on pages 21-23 of the group Annual Report 2012, together with an analysis of key performance indicators which the group employs. Financial risk management policies are also disclosed in pages 21-24 of the group Annual Report.



DIRECTORS' REPORT

2. DIRECTORS

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

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

At the end of the financial year Mr Miles Ingrey-Counter held shares in Avon Rubber p l c totalling 25,122

Under the Performance Share Plans 2002 and 2010, a description of which is given in the Reports and Accounts of the ultimate controlling party Avon Rubber p l c , the following options were granted

	Granted 2009/10 (for the qualifying period ending 30 Sep 2012)	Granted 2010/11 (for the qualifying period ending 30 Sep 2013)	Total option awards outstanding at 30 Sep 2011	Vested during the year	Granted 2011/12 (for the qualifying period ending 30 Sep 2014)	Total option awards outstanding at 30 Sep 2012
Miles Ingrey- Counter	56,485	30,725	87,210	(56,485)	21,563	52,288

3. RESEARCH AND DEVELOPMENT

The company carries out selective programmes of research to improve its major processes and abilities to develop new products. The company's investment in research and development for the year to 30 September 2012 amounted to £674,000 (2011 £484,363) of which £255,909 (2011 £181,363) has been capitalised as intangible assets

4. DISABLED PERSONS

It has been the policy of the company throughout the year to encourage the employment and development of suitable disabled persons

No unnecessary limitations are placed on the type of work which disabled persons can perform and the policy ensures that in appropriate cases, consideration is given to modifications to equipment or premises and to adjustments in working practices

The policy provides that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment

5. EMPLOYEE INVOLVEMENT

Employee consultation, communication and involvement have long been recognised as being of great value and these practices will be maintained as a vital element in our drive to achieve the highest standards of training and development. Consultation enables employees' views to be taken into account in matters which may affect their interests and, as part of our continuous improvement activity, supervisors and employees meet regularly to tackle problems together in a teamwork atmosphere

6. CREDITOR PAYMENT POLICY

It is the company's policy to agree terms and conditions under which business transactions with suppliers are conducted. Payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions

For the year ended 30 September 2012, the number of days' purchases outstanding at the end of the financial year were 32.3 days (2011 31.7 days), based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by trade creditors

DIRECTORS' REPORT

7. DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

8 INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

9. INDEPENDENT AUDITORS

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



By order of the board

Miles Ingrey-Counter,
Company Secretary
Melksham, Wiltshire

22 February 2013

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.



By order of the board

Miles Ingrey-Counter,
Company Secretary
Melksham, Wiltshire

22 February 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON POLYMER PRODUCTS LIMITED

We have audited the financial statements of Avon Polymer Products Limited for the year ended 30 September 2012 which comprise the Profit and Loss Account, the Balance Sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON POLYMER PRODUCTS LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Ellis

Mark Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

26th February 2013

AVON POLYMER PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 September 2012

	2012	2011
	£	£
Turnover (notes 2 & 3)	21,575,742	19,268,773
Cost of sales	(15,663,734)	(14,910,405)
Gross profit	5,912,008	4,358,368
Distribution costs	(991,804)	(741,439)
Administrative expenses	(1,208,261)	(1,391,642)
Other operating income (note 4)	1,754,479	1,171,684
Operating profit (note 3)	5,466,422	3,396,971
Operating profit is analysed as		
Before depreciation and amortisation	6,168,900	4,477,033
Depreciation and amortisation	(702,478)	(1,080,062)
Operating profit	5,466,422	3,396,971
Write off of investment in subsidiary undertaking (note 13)	(8,052,805)	-
Income from shares in group undertakings (note 19)	8,052,231	-
Interest payable and similar charges (note 5)	(3,432)	(1,042)
Profit on ordinary activities before taxation (note 6)	5,462,416	3,395,929
Tax on profit on ordinary activities (note 7)	-	-
Profit for the financial year	5,462,416	3,395,929
Dividend	(3,500,000)	-
Retained profit (note 18)	1,962,416	3,395,929

The company has no recognised gains or losses, in the current or prior year, other than those included in the results above

There is no material difference between the profit on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

All results derive from continuing operations in both the current and prior years

AVON POLYMER PRODUCTS LIMITED


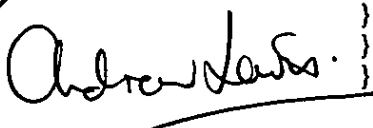
BALANCE SHEET

AS AT 30 September 2012

	2012	2011
£	£	£
FIXED ASSETS		
Intangible assets (note 10)	589,506	399,698
Tangible assets (note 11)	2,561,700	1,818,256
Investments (note 13)	30,002	8,082,807
	<u>3,181,208</u>	<u>10,300,761</u>
CURRENT ASSETS		
Stocks (note 14)	2,193,043	1,302,091
Debtors (note 15)	5,995,602	4,894,236
Cash at bank and in hand	356,668	14,147
	<u>8,545,313</u>	<u>6,210,474</u>
CREDITORS		
Amounts falling due within one year (note 16)	<u>(4,086,035)</u>	<u>(16,076,191)</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>4,459,278</u>	<u>(9,865,717)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,640,486</u>	<u>435,044</u>
NET ASSETS	<u>7,640,486</u>	<u>435,044</u>
CAPITAL AND RESERVES		
Called up share capital (note 17)	100	36,367,717
Profit and loss account (note 18)	7,640,386	(35,932,673)
TOTAL EQUITY SHAREHOLDERS' FUNDS (note 19)	<u>7,640,486</u>	<u>435,044</u>

These financial statements were approved by the board of directors on 22 February 2013 and were signed on its behalf by

Peter C Slabbert
Andrew G Lewis


 } Directors

The notes on pages 9 to 18 form part of the financial statements

AVON POLYMER PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared, on a going concern basis and in accordance with the Companies Act 2006, as amended, and with all applicable Accounting Standards in the United Kingdom under the historical cost convention. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The going concern basis of preparation is considered to be appropriate as the company has sufficient assets to ensure it can meet its liabilities as they fall due for the foreseeable future.

As Avon Polymer Products Limited is a wholly owned subsidiary company of Avon Rubber plc, incorporated in Great Britain, which is the ultimate parent company, consolidated financial statements have not been prepared. This is in line with section 400 of the Companies Act 2006.

Cash Flow Statement

The company's cash flows are included in the consolidated financial statements of its ultimate controlling company, Avon Rubber plc. The company has therefore taken advantage of the exemption conferred by FRS1 (revised) and has not presented a cash flow statement. Copies of the consolidated financial statements of Avon Rubber plc can be obtained from the address disclosed in note 22.

Pensions

The company is a participating member of the Avon Rubber plc Group Pension Scheme which is a contributory defined benefits plan to provide pension and death benefits for the company's employees, employed prior to 31 January 2003. The scheme was closed to future accrual on 1 October 2009. The assets of the plan are held in separate trustee administered funds. The trustee is Avon Rubber Pension Trust Limited.

The company is unable to identify its share of the underlying assets and liabilities of the Group scheme on a consistent and reliable basis. It has therefore taken advantage of the exemption under Financial Reporting Standard 17, paragraph 9 to treat the scheme as a defined contribution scheme. Pension costs are accounted for by charging to the profit and loss account the amount paid over to the scheme. The disclosures have been presented in respect of the pension scheme as a whole in the report and financial statements of the ultimate parent company, Avon Rubber plc.

On 1 February 2003 a defined contribution scheme was introduced for new employees. The cost is charged to the profit and loss account in the period to which the contributions relate.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on a normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Interest Payable

Interest is capitalised gross during the period of construction when it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Leased Assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The capital element of repayments is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Tangible Fixed Assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Plant and machinery are depreciated on the straight line method at rates varying between 6% and 50% per annum.

Fixed Asset Investments

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

Impairment of Fixed assets and Investments

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed asset or investment 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 amount is based on value in use, discount rates of typically between 10% and 15% are used depending on the risk attached to the underlying asset.

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 the expectation has been raised in those affected by the plan that the company will carry out the reorganisation.

Research and Development

All research and development costs are written off in the year in which they are incurred with the exception of certain major product development projects where reasonable certainty exists as regards technical and commercial viability. Such expenditure is capitalised and amortised over the expected useful life of the development, commencing in the year when sales of the product are made for the first time.

Taxation

In accordance with FRS 19 (Deferred Tax), full provision (on an undiscounted basis) is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax assets are recognised only to the extent that they are more likely than not to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Exchange Rates

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future

Exchange differences are taken to the profit and loss account in the year in which they arise

Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of goods and services supplied and is recognised when the risks and rewards of ownership pass to the customer and when collectability of the related receivables is reasonably assured

Trade Debtors

Trade debtors are stated at cost after deduction of provision for impairment

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 non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. TURNOVER

	2012	2011
	£	£
Sales excluding VAT:		
External customers	16,127,231	14,847,218
Group Undertakings	5,448,511	4,421,555
	<u>21,575,742</u>	<u>19,268,773</u>

3 SEGMENTAL INFORMATION

By destination	2012	2011
	Turnover	Turnover
	£	£
Europe	10,809,262	11,919,483
North America	5,776,407	4,702,674
Rest of World	4,990,073	2,646,616
Total	<u>21,575,742</u>	<u>19,268,773</u>

By Business Segment	2012	2012
	Turnover	Operating profit
	£	£
Protection & Defence	12,833,032	4,046,291
Dairy	8,742,710	1,420,131
	<u>21,575,742</u>	<u>5,466,422</u>

	2011	2011
	Turnover	Operating profit
	£	£
Protection & Defence	11,247,666	2,439,979
Dairy	8,021,107	956,992
	<u>19,268,773</u>	<u>3,396,971</u>

4. OTHER OPERATING INCOME

Other operating income in 2012 relates to the licensing of the right to use certain Protection & Defence product approvals owned by Avon Polymer Products £1,491,622 (2011 £1,050,110), and Dairy product approvals £262,857 (2011 £121,574)

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank loans and overdrafts	<u>3,432</u>	<u>1,042</u>

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012	2011
	£	£
Profit on ordinary activities before taxation is stated after charging		
Depreciation on tangible fixed assets	636,377	592,252
Amortisation of intangibles	66,101	487,810
Auditors' remuneration (Total remuneration bourn by the Group for Auditor's remuneration is £112,000)	12,500	12,445
Research and development	418,091	303,000
Operating leases - plant and machinery	41,607	21,652
Loss on foreign exchange	-	286,750
And after crediting		
Gain on foreign exchange	255,805	-

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in year

	2012	2011
	£	£
Deferred taxation	-	-
Adjustments in respect of previous years	-	-
Taxation charge	-	-

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 25% (2011 27%)

b) Factors affecting current tax charge

	2012	2011
	£	£
Profit on ordinary activities before taxation	5,462,416	3,395,929
Profit on ordinary activities at the average standard UK tax rate of 25% (2011 27%)	1,365,604	916,901
Expenses not deductible for tax purposes	(157,351)	90
Imputed interest on intercompany loans	(86,084)	(117,271)
Non taxable income	(2,013,058)	-
Accelerated capital allowances and other timing differences not recognised	(370,481)	(369,286)
Losses not recognised/(utilised)	1,261,370	(430,434)
Current tax charge for the year	-	-

c) Deferred taxation

	2012		2011	
	Provided	Amount Unprovided	Provided	Amount Unprovided
	£	£	£	£
Capital allowances	-	(1,531,907)	-	(1,554,774)
Losses	-	(3,308,179)	-	(4,777,293)
Short term timing differences	-	6,600	-	(23,480)
Unprovided asset	-	(4,833,486)	-	(6,355,547)

d) The company has unprovided deferred tax assets of £4,833,486 (2011 £6,355,547) As the future profitability of the company continues to be reviewed, these assets may be recognised in subsequent accounting years

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 24%, which was substantively enacted on 26 March 2012 and is effective from 1 April 2012, and to 23%, which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013 The effect of this on the opening total unprovided tax asset was a reduction of £508,444

NOTES TO THE FINANCIAL STATEMENTS

A further reduction in the UK corporation tax rate to 22% from 1 April 2014 was announced in the March 2012 Budget. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements.

8 EMPLOYEES

Staff costs during the year were	2012	2011
	£	£
Wages and salaries	5,265,075	4,840,551
Social security costs	456,070	403,816
Other pension costs	262,163	253,804
	<u>5,983,308</u>	<u>5,498,171</u>
Average monthly number of employees	2012	2011
Protection & Defence	129	135
Dairy	19	16
	<u>148</u>	<u>151</u>

The emoluments of all the directors are paid by the parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of the directors.

Retirement benefits are accruing to all directors under the group defined benefit or defined contribution section of the scheme.

9. PENSIONS

The company is a participating member of the Avon Rubber p l c Group Pension Scheme which is a contributory defined benefits plan to provide pension and death benefits for the company's employees, employed prior to 31 January 2003. The scheme closed to future accrual on 1 October 2009. The assets of the plan are held in separate trustee administered funds. The trustee is Avon Rubber Pension Trust Limited.

The company is unable to identify its share of the underlying assets and liabilities of the Group scheme on a consistent and reliable basis. It has therefore taken advantage of the exemption under Financial Reporting Standard 17 paragraph 9 to treat the scheme as a defined contribution scheme. Pension costs are accounted for by charging to the profit and loss account the amount paid over to the scheme. The disclosures have been presented in respect of the pension scheme as a whole in the report and financial statements of the ultimate parent company, Avon Rubber p l c. The pension cost to the company was £nil (2011 £nil).

In addition, commencing 1 February 2003 a defined contribution scheme was introduced for new employees. The cost to the company in respect of this scheme for the year ended 30 September 2012 amounted to £262,163 (2011 £253,804). £58,000 was payable to the defined contribution pension scheme at 30 September 2012.

NOTES TO THE FINANCIAL STATEMENTS

10. INTANGIBLE FIXED ASSETS

	£
Development expenditure	
Cost	
At 1 October 2011	575,649
Additions	255,909
At 30 September 2012	<u>831,558</u>
Accumulated Amortisation	
At 1 October 2011	175,951
Charge for the year	66,101
At 30 September 2012	<u>242,052</u>
Net book value at 30 September 2012	<u>589,506</u>
Net book value of 30 September 2011	<u>399,698</u>

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

11. TANGIBLE FIXED ASSETS

	Plant and Machinery £
Cost	
At 1 October 2011	11,536,540
Additions at cost	561,804
Disposals	(160,794)
Transfer from other group companies	818,017
At 30 September 2012	<u>12,755,567</u>
Accumulated Depreciation	
At 1 October 2011	9,718,284
Charge for the year	636,377
Disposals	(160,794)
At 30 September 2012	<u>10,193,867</u>
Net book value at 30 September 2012	<u>2,561,700</u>
Net book value at 30 September 2011	<u>1,818,256</u>

NOTES TO THE FINANCIAL STATEMENTS

12 FINANCIAL COMMITMENTS

	2012 £	2011 £
Capital expenditure committed	<u>155,678</u>	<u>73,214</u>

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

The annual commitments for non-cancellable operating leases expiring in the given years were

	2012 £	2011 £
Other assets		
Within one year	10,056	10,562
In 2 - 5 years	<u>37,330</u>	<u>32,179</u>
	<u>47,386</u>	<u>42,741</u>

There are no commitments relating to Land and Buildings

13 FIXED ASSET INVESTMENTS

Name	Percentage of Shareholding	2012 £	2011 £
Avon-Ames Limited	100%	1	1
Avon Group Limited	100%	1	8,052,806
Avon Protection Systems UK Limited	100%	<u>30,000</u>	<u>30,000</u>
		<u>30,002</u>	<u>8,082,807</u>

All shareholdings are ordinary shares

All of the above companies are incorporated in Great Britain

All subsidiaries are non-trading

During the year a dividend was received from Avon Group Limited which left the balance sheet of Avon Group Limited with net assets of £1, consequently the investment in Avon Group Limited has been written off

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

14. STOCKS

	2012 £	2011 £
Raw materials	717,959	460,432
Work in progress	358,038	148,432
Finished goods	<u>1,117,046</u>	<u>693,227</u>
	<u>2,193,043</u>	<u>1,302,091</u>

NOTES TO THE FINANCIAL STATEMENTS

15. DEBTORS

	2012 £	2011 £
Amounts falling due within one year		
Trade debtors	3,425,618	2,862,179
Amount owed by group undertakings	1,649,284	1,663,576
Other debtors	920,700	368,481
	<u>5,995,602</u>	<u>4,894,236</u>

16 CREDITORS

	2012 £	2011 £
Amounts falling due within one year		
Bank overdrafts	-	126,846
Trade creditors	1,582,009	1,307,810
Amount owed to group undertakings	933,263	13,392,145
Other taxation and social security payable	240,792	224,974
Other creditors	66,696	488
Accruals and deferred income	1,263,275	1,023,928
	<u>4,086,035</u>	<u>16,076,191</u>

17 CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
100 (2011 36,367,717) ordinary shares of £1 each	<u>100</u>	<u>36,367,717</u>

18. RESERVES

	Profit and Loss Account £
At 30 September 2011	(35,932,673)
Capital reduction	41,610,643
Profit for the year	5,462,416
Dividend	(3,500,000)
At 30 September 2012	<u>7,640,386</u>

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds/(deficite)	435,044	(2,960,885)
Issue of shares to parent company	5,243,026	-
Profit for the year	5,462,416	3,395,929
Dividend	(3,500,000)	-
Closing shareholders' funds	<u>7,640,486</u>	<u>435,044</u>

NOTES TO THE FINANCIAL STATEMENTS

Avon Polymer Products Limited is a subsidiary of Avon Rubber p l c . A number of historical intercompany balances existed between Avon Rubber p l c and its UK subsidiaries. Some of these subsidiaries are dormant and the old structure did not reflect the way in which the Group is funded. An exercise was undertaken during the year to clear down these balances.

By way of a combination of capital reductions, declaration of dividends and repayment of loans, the UK intercompany balances were consolidated such that the significant remaining balance is between the parent company and Avon Rubber Overseas Limited, the UK intermediate holding company.

As part of this exercise, on 28 September 2012, Avon Polymer Products Limited issued 5,243,026 ordinary shares of £1 each to Avon Rubber p l c . A capital reduction then took place which reduced the ordinary share capital by 41,610,643 shares of £1 each and increased the profit and loss reserve by £41,610,643.

The remaining ordinary share capital at 30 September 2012 is 100 ordinary shares of £1.

In addition, repayment was received of a number of intercompany loans and a dividend of £8,052,231 was received from Avon Group Limited.

20. CONTINGENT LIABILITIES

A cross guarantee arrangement exists between the company and other group companies in relation to overdraft facilities. At the year end the company had no liability, recorded in these financial statements, under this arrangement.

21. RELATED PARTIES

The company has taken advantage of the dispensation permitted under FRS8, Related Party Transactions, not to disclose transactions or balances with other group companies as it is a wholly owned member of the Avon Rubber p l c group of companies. Copies of the consolidated financial statements of Avon Rubber p l c can be obtained from the address disclosed in note 22.

22. ULTIMATE CONTROLLING PARTY

The immediate parent company and ultimate controlling party and parent company is Avon Rubber p l c , incorporated in Great Britain and registered in England and Wales. Consolidated financial statements incorporating the results of the company are prepared by Avon Rubber p l c only and no other intermediate holding company. Copies of the consolidated financial statements may be obtained from Avon Rubber p l c , Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB or by visiting <http://www.avon-rubber.com/financial-reports.htm>