

Company Number: 00149360

**AVON POLYMER PRODUCTS LIMITED**  
Annual Report and Unaudited Financial Statements  
For the year ended 30 September 2018

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## **Company Information**

**Directors:** Paul McDonald  
Nick Keveth  
Miles Ingrey-Counter  
Craig Sage

**Secretary:** Miles Ingrey-Counter

**Registered Office:** Hampton Park West  
Semington Road  
Melksham  
Wiltshire  
SN12 6NB

**Company Number:** 00149360

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## STRATEGIC REPORT

The directors present their strategic report for the year ended 30 September 2018.

### Principal activities and Business Reviews

The company specialises in two core businesses, Avon Protection and milkrite | InterPuls. With a strong emphasis on research and development we design, test and manufacture specialist products.

In Avon Protection, revenues were up by 8% with volume increases more than offsetting unfavourable currency movements.

In milkrite | InterPuls revenues were up by 5% with growth in both Interface and Farm Services revenues being driven by more stable dairy market conditions.

The company remains well placed to meet the challenges faced on both sides 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 p.l.c. Group, is provided on pages 34-37 of the Group Annual Report 2018 which also gives an analysis of key performance indicators which the Group employs.

## DIRECTORS' REPORT

The directors present the annual report and financial statements of the company for the year ended 30 September 2018. The profit for the year amounts to £7,334,019 (2017: £10,323,768). Sales for the year totalled £44,981,806 (2017: £42,070,813). Full details are set out in the attached statement of comprehensive income.

### DIVIDENDS

No dividend was paid in the year (2017: nil).

### DIRECTOR'S INTERESTS

The directors of the company who were in office during the year and up to the date of signing the financial statements are listed above.

Mr L Klapwijk resigned as a director on 26 March 2019.

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

The beneficial interests of Paul McDonald and Nick Keveth 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 the other directors held the following shares in Avon Rubber p.l.c.:

	2018	2017
Miles Ingrey-Counter	21,743	19,051
Craig Sage	7,641	5,994

Under the Performance Share Plan 2010, a description of which is given in the Annual Report of the ultimate controlling party Avon Rubber p.l.c., the following options have been granted to the directors:

	Granted 2014/15 (for the qualifying period ended 30 Sep 2017)	Granted 2015/16 (for the qualifying period ending 30 Sep 2018)	Granted 2016/17 (for the qualifying period ended 30 Sep 2019)	Total option awards outstanding at 30 Sep 2017	Vested during the year	Lapsed during the year	Granted 2017/18 (for the qualifying period ending 30 Sep 2020)	Total option awards outstanding at 30 Sep 2018
M Ingreyc-Counter	15,329	10,175	12,759	38,263	(15,125)	(204)	11,877	<b>34,811</b>
C Sage	6,086	4,121	11,012	21,219	(6,005)	(81)	10,251	<b>25,384</b>

## RESEARCH AND DEVELOPMENT

The company carries out selective programmes of research and development 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 2018 amounted to £3,698,887 (2017: £1,055,899) of which £2,997,887 (2017: £944,899) has been capitalised as intangible assets.

## DISABLED PERSONS

It has been the policy of the company throughout the year to encourage the employment and development of 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.

## 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 an atmosphere of teamwork.

## 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.

By order of the board



**Miles Ingreyc-Counter,**  
Company Secretary

7 June 2019

## 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 Practices (United Kingdom accounting standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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;
- 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

7 June 2019

**AVON POLYMER PRODUCTS LIMITED**  
**STATEMENT OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	2018	2017
	£	£
<b>Revenue (notes 2 &amp; 3)</b>	<b>44,981,806</b>	42,070,813
Cost of sales	<b>(26,017,096)</b>	(22,008,351)
<b>Gross profit</b>	<b>18,964,710</b>	20,062,462
Selling and distribution costs	<b>(6,570,129)</b>	(5,541,379)
General and administrative expenses	<b>(3,767,775)</b>	(2,750,766)
Other operating income (note 4)	<b>1,306,470</b>	1,371,800
<b>Operating profit (note 3)</b>	<b>9,933,276</b>	13,142,117
Operating profit is analysed as:		
Before depreciation and amortisation	<b>12,331,982</b>	14,799,125
Depreciation and amortisation (note 6)	<b>(2,398,706)</b>	(1,657,008)
<b>Operating profit</b>	<b>9,933,276</b>	13,142,117
Interest income / (costs) (note 5)	<b>15,048</b>	(5,154)
Other finance expense (note 5)	<b>(1,104,000)</b>	(966,000)
Profit before taxation	<b>8,844,324</b>	12,170,963
Tax on profit (note 7)	<b>(1,510,305)</b>	(1,847,195)
<b>Profit for the year</b>	<b>7,334,019</b>	10,323,768
<b>Other comprehensive income/(expense)</b>		
<i>Items that are not subsequently reclassified to the income statement</i>		
Actuarial gain / (loss) recognised on retirement benefit scheme (note 9)	<b>13,642,000</b>	(3,681,830)
Deferred tax relating to retirement benefit scheme (note 7)	<b>(2,293,640)</b>	615,273
<i>Items that may be subsequently reclassified to the income statement</i>		
Cash flow hedges	<b>(634,000)</b>	1,100,000
<b>Other comprehensive income/(expense) for the year, net of taxation</b>	<b>10,714,360</b>	(1,966,557)
<b>Total comprehensive income/(expense) for the year</b>	<b>18,048,379</b>	8,357,211

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

**AVON POLYMER PRODUCTS LIMITED**  
**COMPANY REGISTRATION NUMBER 00149360**  
**BALANCE SHEET**

**AS AT 30 SEPTEMBER 2018**

	2018	2017
	£	£
<b>ASSETS</b>		
Non-current assets		
Intangible assets (note 10)	7,053,610	5,347,271
Plant and equipment (note 11)	4,019,565	3,346,255
Deferred tax assets (note 7)	5,195,880	7,489,520
Investments in subsidiaries (note 13)	30,001	30,001
	<b>16,299,056</b>	<b>16,213,047</b>
Current assets		
Inventories (note 14)	7,578,510	5,852,228
Trade and other receivables (note 15)	5,568,372	3,577,432
Amounts owed by Group undertakings	30,675,190	25,170,707
Cash and cash equivalents	228,529	1,991,967
	<b>44,050,601</b>	<b>36,592,334</b>
<b>TOTAL ASSETS</b>	<b>60,349,657</b>	<b>52,805,381</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to the owners of the parent		
Called up share capital (note 17)	100	100
Retained earnings	18,215,174	166,795
<b>TOTAL EQUITY</b>	<b>18,215,274</b>	<b>166,895</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Deferred tax liabilities (note 7)	581,690	185,782
Retirement benefit obligations (note 9)	30,564,000	44,056,000
	<b>31,145,690</b>	<b>44,241,782</b>
Current liabilities		
Trade and other payables (note 16)	9,812,230	6,292,291
Amounts owed to group undertakings	1,176,463	2,104,413
	<b>10,988,693</b>	<b>8,396,704</b>
<b>TOTAL LIABILITIES</b>	<b>42,134,383</b>	<b>52,638,486</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60,349,657</b>	<b>52,805,381</b>



For the year ended 30 September 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

#### Directors' responsibilities

- the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements

These financial statements on pages 4 to 20 were approved by the board of directors on 7 June 2019 and were signed on its behalf by:



}  
} Directors  
}

Miles Ingrey-Counter

Nick Keveth

The notes on pages 8 to 20 form part of the financial statements.

# AVON POLYMER PRODUCTS LIMITED

## STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 October 2016	100	(8,190,416)	(8,190,316)
Profit for the year	-	10,323,768	10,323,768
Cash flow hedges	-	1,100,000	1,100,000
Actuarial loss recognised on retirement benefit scheme (note 9)	-	(3,681,830)	(3,681,830)
Deferred tax relating to retirement benefit scheme (note 7)	-	615,273	615,273
At 30 September 2017	100	166,795	166,895
Profit for the year	-	<b>7,334,019</b>	<b>7,334,019</b>
Cash flow hedges	-	<b>(634,000)</b>	<b>(634,000)</b>
Actuarial gain recognised on retirement benefit scheme (note 9)	-	<b>13,642,000</b>	<b>13,642,000</b>
Deferred tax relating to retirement benefit scheme (note 7)	-	<b>(2,293,640)</b>	<b>(2,293,640)</b>
<b>At 30 September 2018</b>	<b>100</b>	<b>18,215,174</b>	<b>18,215,274</b>

# **AVON POLYMER PRODUCTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS**

The company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The company registration number is 00149360.

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 financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) 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 has taken advantage of the disclosure exemptions available under FRS 101 in relation to the following:

- presentation of a cash flow statement and related notes
- comparative period reconciliations for intangible assets and plant and equipment
- transactions with wholly owned subsidiaries
- capital management
- share based payments
- financial instruments
- compensation of key management personnel
- the effects of new but not yet effective IFRSs

#### **Revenue**

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

#### **Pension obligations and post-retirement benefits**

The company makes contributions to defined contribution pension plans and also participated in, and is the sponsoring employer of, a Group-wide defined benefit pension which closed to future accrual of benefit on 1 October 2009.

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

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

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

## **Intangible assets**

### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company'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 (between five and fifteen years). 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 in which the product is available for sale. Development costs capitalised are tested for impairment whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the consolidated statement of comprehensive income. Subsequent reversals of impairment losses for research and development are not recognised.

### *Computer software*

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

### *Other intangible assets*

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

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

## **Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is provided on plant and equipment estimated to write off the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- |  |                |
|--|----------------|
| • Computer hardware and motor vehicles | 3 years        |
| • Presses                              | 15 years       |
| • Other plant and machinery            | 5 to 10 years. |

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

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

**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.

**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**

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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Income tax is charged or credited in the 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.

**Exchange Rates**

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date.

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

**Trade 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. 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.

**Going Concern**

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**New Standards**

New accounting standards, or amendments to accounting standards, that are effective for the year ended 30 September 2018, have not had a material impact on the company.

**Consolidation**

The company is a wholly owned subsidiary of Avon Rubber p.l.c. It is included in the consolidated financial statements of Avon Rubber p.l.c. which are publically available. The company is therefore exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is Avon Rubber p.l.c., Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.

These financial statements are separate financial statements.

**Significant Accounting Judgments**

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Company'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.

*Estimating the defined benefits pension scheme obligations*

The Group operates a defined benefit scheme which is closed to future accrual of benefit. Avon Polymer Products Limited has included in its financial results the full defined benefit pension liability, as it is the sponsoring company of the scheme.

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate, (see Note 9).

*Valuation of intangible assets*

The Company capitalises the development of new products and processes as intangible assets or property, plant and equipment. Initial capitalisation and any subsequent impairment is based on the Company's judgement that technological and economic feasibility is demonstrated. In determining the amounts to be capitalised the Company makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

*Valuation of acquired intangible assets*

Acquisitions may result in the recognition of customer relationships, brands and trademarks, patents and order backlogs. Valuation estimates are used to determine the fair value of these intangible assets. This includes estimation of future cash flows, weighted average cost of capital and useful lives.

*Taxation*

Management periodically evaluates positions taken in tax returns where the applicable tax regulation is subject to interpretation. At the year end date, tax liabilities and assets are based on management's judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled.

## 2 REVENUE

	2018	2017
Revenue	£	£
External customers	30,376,990	26,042,833
Group undertakings	14,604,816	16,027,980
	<b>44,981,806</b>	<b>42,070,813</b>

## 3 SEGMENTAL INFORMATION

By destination	2018 Revenue £	2017 Revenue £
Europe	21,898,491	17,847,182
North America	15,276,413	16,472,556
Rest of World	7,806,902	7,751,075
	<b>44,981,806</b>	<b>42,070,813</b>

By Business Segment	2018 Revenue £	2018 Operating profit £
Avon Protection	32,189,888	7,552,879
milkrite   InterPuls	12,791,918	2,380,397
	<b>44,981,806</b>	<b>9,933,276</b>

	2017 Revenue £	2017 Operating profit £
Avon Protection	29,922,404	10,687,729
milkrite   InterPuls	12,148,409	2,454,388
	<b>42,070,813</b>	<b>13,142,117</b>

## 4 OTHER OPERATING INCOME

Other operating income relates to the licensing of the right to use certain Avon Protection product approvals owned by Avon Polymer Products £590,859 (2017: £631,571), and milkrite | InterPuls product approvals £715,611 (2017: £740,229).

## 5 NET FINANCE COSTS

	2018 £	2017 £
Interest payable on bank loans and overdrafts	(74)	(5,154)
Interest income	15,122	-
	<b>15,048</b>	<b>(5,154)</b>

<b>Other finance expense</b>		
Net interest cost: UK defined benefit pension scheme	<b>(1,104,000)</b>	<b>(966,000)</b>

## 6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018	2017
Profit on ordinary activities before taxation is stated after charging:	£	£
Depreciation on tangible fixed assets	1,005,985	1,017,738
Amortisation of development costs and software	611,627	270,270
Amortisation of acquired intangibles	369,000	369,000
Write down of transferred acquired intangibles	412,094	-
Allocated auditors' remuneration	20,030	19,217
Research and development	701,000	111,000
Operating leases: land and buildings	696,989	751,126
Operating leases: plant and machinery	45,826	71,001
(Gain) / loss on foreign exchange	(132,391)	899,475

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

### a) Analysis of charge in year

	2018	2017
	£	£
Current tax charge	1,138,300	2,077,250
Adjustments in respect of previous years	(23,904)	(303,887)
Deferred taxation charge/(credit)	451,673	47,627
Adjustments in respect of previous years	(55,764)	26,205
Taxation charge	1,510,305	1,847,195

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.0% (2017: 19.5%).

### b) Tax income included in other comprehensive income

	2018	2017
	£	£
Deferred tax relating to retirement benefit scheme	(2,293,640)	615,273

### c) Factors affecting current tax charge

	2018	2017
	£	£
Profit on ordinary activities before taxation	8,844,324	12,170,963
Profit on ordinary activities at the average standard UK tax rate of 19.0% (2017: 19.5%)	1,680,422	2,373,177
Expenses not deductible / (income not taxable) for tax purposes	(271,646)	(282,359)
Imputed interest on intercompany loans	191,367	130,211
Accelerated capital allowances and other timing differences not recognised	-	(416)
Group relief	(10,170)	(95,727)
Adjustments in respect of previous years	(79,668)	(277,691)
Tax charge for the year	1,510,305	1,847,195

A number of changes to the UK corporation tax system were announced in the March 2016 Budget Statement which reduce the main rate of corporation tax to 17% by April 2020. These changes were substantively enacted at the balance sheet date.



d) Deferred taxation

	2018	2017
	Provided £	Provided £
Capital allowances	(226,576)	(287,905)
Short term timing differences	808,266	473,687
Pension liability	(5,195,880)	(7,489,520)
Net deferred tax asset	<u>(4,614,190)</u>	<u>(7,303,738)</u>

Deferred tax assets have been recognised in respect of these items as it is probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

There are no unused tax losses or unused tax credits.

The Company has no unrecognised deferred tax assets or liabilities.

## 8. EMPLOYEES

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	11,063,648	8,678,772
Social security costs	763,608	660,615
Other pension costs	459,005	487,711
	<u>12,286,261</u>	<u>9,827,098</u>

Average monthly number of employees:

	2018	2017
Protection	205	177
Dairy	30	37
	<u>235</u>	<u>214</u>

The emoluments of Paul McDonald, Nick Keveth and Miles Ingrey-Counter are paid by the ultimate holding company, Avon Rubber p.l.c. and are disclosed in the financial statements of that 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 these directors.

The emoluments of the other directors can be summarised as follows:

	2018 £	2017 £
Remuneration for qualifying services	438,800	288,022
Company pension contributions to defined contribution schemes	24,656	38,037
	<u>463,456</u>	<u>326,059</u>

The number of directors for whom retirement benefits are accruing during the year under defined contribution schemes amounted to 2 (2017: 2).

## 9. PENSIONS

Retirement benefit assets and liabilities can be analysed as follows:

	2018 £	2017 £
Pension liability	<u>30,564,000</u>	<u>44,056,000</u>

The Company participates in, and is the sponsoring employer of, the Avon Rubber Group pension plan. The Avon Rubber Group operated a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Rubber p.l.c. and its Group undertakings in the UK employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 14 years. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Four of the Directors are appointed by the Company and two are elected by the members.

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 2016 when the market value of the plan's assets was £298.6m. The fair value of those assets represented 90.0% of the value of the benefits which had accrued to members, after allowing for future increase in pensions.

During the year the Group made payments to the fund of £1,500,000, (2017: £1,013,000) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit recovery plan agreed following the 31 March 2016 actuarial valuation, the Group will make payments in 2019 of £1,500,000 in respect of deficit recovery plan payments and scheme expenses.

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

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary at 30 September 2018 using the projected unit method.

#### **Movement in net defined benefit liability**

	<b>Defined benefit obligation</b>		<b>Defined benefit asset</b>		<b>Net defined benefit liability</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October	(368,366)	(373,513)	324,310	333,562	(44,056)	(39,951)
<b>Included in profit or loss</b>						
Administrative expenses	(546)	(470)	-	-	(546)	(470)
Net interest cost	(9,152)	(8,958)	8,048	7,991	(1,104)	(967)
	(9,698)	(9,428)	8,048	7,991	(1,650)	(1,437)
<b>Included in other comprehensive income</b>						
Remeasurement (loss)/gain:						
- Actuarial (loss)/gain arising from:						
- demographic assumptions	2,218	(3,843)	-	-	2,218	(3,843)
- financial assumptions	9,057	(10,721)	-	-	9,057	(10,721)
- experience adjustment	798	13,268	-	-	798	13,268
- Return on plan assets excluding interest income	-	-	1,569	(2,385)	1,569	(2,385)
	12,073	(1,296)	1,569	(2,385)	13,642	(3,681)
<b>Other</b>						
Contributions by the employer	-	-	1,500	1,013	1,500	1,013
Net benefits paid out	19,047	15,871	(19,047)	(15,871)	-	-
At 30 September	(346,944)	(368,366)	316,380	324,310	(30,564)	(44,056)

## Plan Assets

	2018	2017
	£'000	£'000
Equities	184,748	200,104
Liability Driven Investment	87,977	85,458
Corporate bonds	28,795	29,989
Cash	14,860	8,759
Total fair value of assets	316,380	324,310

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

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

The aim of the Trustee is to invest the assets of the plan to ensure that the benefits promised to members are provided. The target weightings under the current asset allocation strategy are 50% to growth assets, 20% to mid-risk assets and 30% to LDI.

### Actuarial assumptions

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

	2018	2017
	% p.a.	% p.a.
Inflation (RPI)	3.20	3.10
Inflation (CPI)	2.20	2.10
Pension increases post August 2005	2.20	2.15
Pension increases pre August 2005	3.10	3.05
Discount rate for scheme liabilities	2.80	2.55

### 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:

	2018	2017
Male	22.1	22.2
Female	24.0	24.1

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

	2018	2017
Male	23.8	23.9
Female	25.8	25.9

## Sensitivity analysis

	Defined benefit obligation Increase/(decrease) £m
Inflation (RPI) (0.25% increase)	9.5
Discount rate for scheme liabilities (0.25% increase)	(11.3)
Future mortality (1 year increase)	12.5

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 company of the defined contribution scheme for the year ended 30 September 2018 amounted to £459,005 (2017: £428,136).

## 10. INTANGIBLE ASSETS

	Goodwill £	Acquired Intangibles £	Development expenditure £	Computer Software £	Total £
Cost:					
At 1 October 2017	899,000	2,274,321	4,086,021	1,113,981	8,373,323
Transfers	(412,094)	414,638	(2,544)	-	-
Additions	-	-	2,997,887	101,173	3,099,060
Write off fully written down assets	-	(412,094)	-	-	(412,094)
At 30 September 2018	486,906	2,276,865	7,081,364	1,215,154	11,060,289
Accumulated Amortisation:					
At 1 October 2017	-	1,169,000	1,003,970	853,082	3,026,052
Charge for the year	-	781,094	512,794	98,833	1,392,721
Write off fully written down assets	-	(412,094)	-	-	(412,094)
At 30 September 2018	-	1,538,000	1,516,764	951,915	4,006,679
Net book value at 30 September 2018	486,906	738,865	5,564,600	263,239	7,053,610
Net book value of 30 September 2017	899,000	1,105,321	3,082,051	260,899	5,347,271

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

Computer software is amortised over a period between 3 and 7 years.

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

Acquired intangibles include customer relationships, development costs, order book on acquisition and brands and are amortised over a period between 3 months and 10 years.

During 2014 £412,000 of goodwill was recognised in Avon Polymer Products Limited in relation to intangible assets acquired in relation to VR Technology Holdings Limited. During 2018 this balance has been transferred to acquired intangibles and written off, bringing the carrying value in line with the group treatment which presented these assets as acquired intangibles and amortised them over three years.

## 11. PLANT AND EQUIPMENT

	<b>Plant and Machinery £</b>
Cost:	
At 1 October 2017	15,597,313
Additions at cost	1,712,717
Disposals	(220,533)
At 30 September 2018	<u>17,089,497</u>
Accumulated Depreciation:	
At 1 October 2017	12,251,058
Charge for the year	1,005,985
Disposals	(187,111)
At 30 September 2018	<u>13,069,932</u>
Net book value at 30 September 2018	<u>4,019,565</u>
Net book value at 30 September 2017	<u>3,346,255</u>

## 12. FINANCIAL COMMITMENTS

	<b>2018 £</b>	<b>2017 £</b>
Capital expenditure committed	<u>2,012,236</u>	<u>279,065</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 future aggregate minimum lease payments under non-cancellable operating leases are:

	<b>2018 £</b>	<b>2017 £</b>
Within one year	38,392	37,939
In 2 - 5 years	33,448	41,012
	<u>71,840</u>	<u>78,951</u>

## 13. INVESTMENTS IN SUBSIDIARIES

Name	Percentage of Shareholding	<b>2018 £</b>	<b>2017 £</b>
Avon Group Limited	100%	1	1
Avon Protection Systems UK Limited	100%	30,000	30,000
		<u>30,001</u>	<u>30,001</u>

All shareholdings are ordinary shares. The subsidiaries are both non-trading and are incorporated in Great Britain.

Avon Polymer Products Limited is a subsidiary of Avon Rubber p.l.c..

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

#### 14. INVENTORIES

	2018 £	2017 £
Raw materials	4,827,518	3,659,244
Work in progress	39,011	11,036
Finished goods	2,711,981	2,181,948
	<u>7,578,510</u>	<u>5,852,228</u>

Provisions for inventory writedowns were £1,536,205 (2017: £834,158).

The cost of inventories recognised as an expense and included in cost of sales amounted to £16,399,454 (2017: £8,067,374).

#### 15. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Amounts falling due within one year:		
Trade receivables	4,700,532	2,777,203
Less: provision for impairment of receivables	(2,819)	(41,677)
Trade receivables - net	4,697,713	2,735,526
Prepayments	37,613	106,992
Other receivables	833,046	734,914
	<u>5,568,372</u>	<u>3,577,432</u>

#### 16. TRADE AND OTHER PAYABLES

	2018 £	2017 £
Amounts falling due within one year:		
Trade payables	3,678,451	4,224,326
Other taxation and social security payable	359,533	342,183
Other payables	135,458	96,692
Accruals	5,638,788	1,629,090
	<u>9,812,230</u>	<u>6,292,291</u>

#### 17. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid ordinary shares of £1 each		
At the beginning of the year	100	100
At the end of the year	<u>100</u>	<u>100</u>

## **18. 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.

## **19. 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 20.

## **20. 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>.