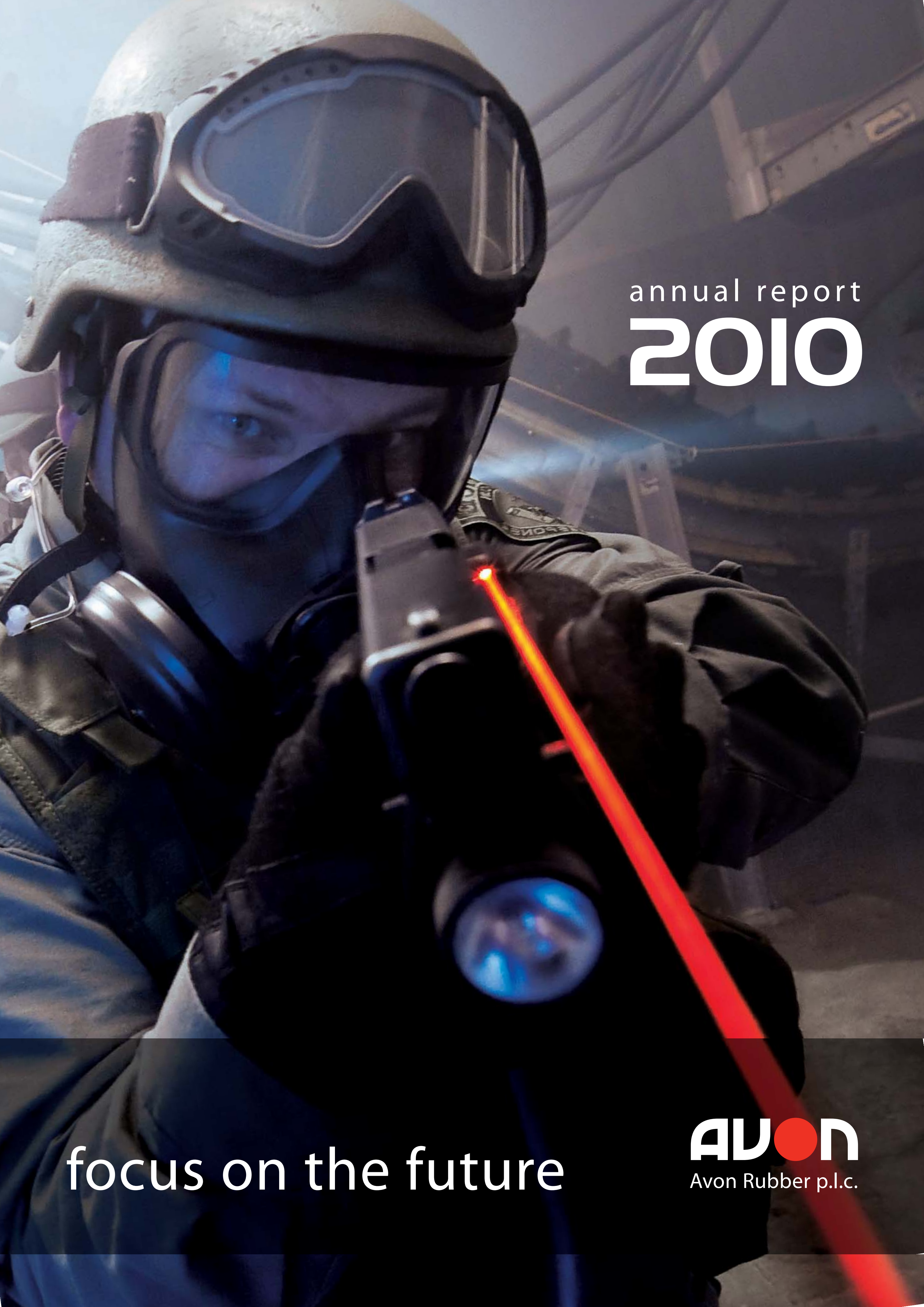


annual report 2010

focus on the future

Avon Rubber p.l.c.

AVON FOCUS

"During difficult economic times we have invested in our brands, our sales and marketing resource, new products and technologies and will continue to do so in 2011."

Peter Slabbert, Chief Executive, Avon Rubber p.l.c.

Avon is now firmly focused on the future.
We have established global leading positions in Protection & Defence and Dairy; our revenues and profits are growing, our balance sheet has strengthened and th pipeline of opportunities available to us has increased. During difficult economic times we have invested in our brands, our sales and marketing resource, new products and technologies and will continue to do so in 2011.

The Protection & Defence business will continue to develop through our prime contracto often sole source, status with the US DoD and the resultant spin off sales into military and homeland security markets globally. Our products are already best in class, as are our research and development teams. Our access to external development funding and our commitment to invest further to remain at the leading edge of respiratory protectior technology will open up new customers and markets. The 50 series range of gas masks is rapidly becoming the military mask of choice worldwide. The addition of powered air products, a range of escape products, an increasing range of consumable filters and integration with other Chemical, Biological, Radiological and Nuclear (CBRN) protective equipment will drive incremental growth in our core defence and homeland security markets and create new opportunities with industrial, medical and fire department users

Our Dairy business has an appropriate cost base, opportunities in developing markets, innovative new products and our 'Milk-Rite' brand is recognised by our customers as a global leader in milking technologies.

All of the above combine to leave Avon well positioned to focus on delivering further progress in the future.

Peter Slabbert
Chief Executive
24 November 2010

FINANCIAL PERFORMANCE

GROUP

REVENUE
£118m ↑ £17m

OPERATING PROFIT*
£9.3m ↑ £3.8m

PROTECTION & DEFENCE

REVENUE
£90m ↑ £14m

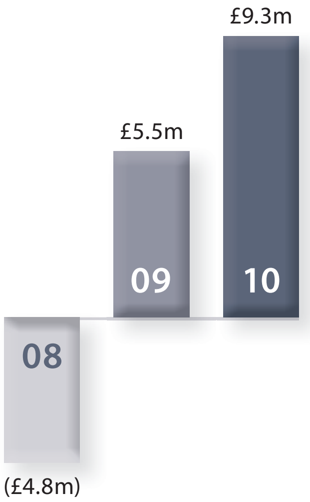
OPERATING PROFIT*
£6.5m ↑ £2.0m

DAIRY

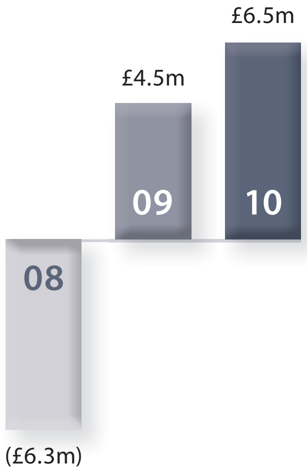
REVENUE
£28m ↑ £3m

OPERATING PROFIT*
£4.6m ↑ £1.6m

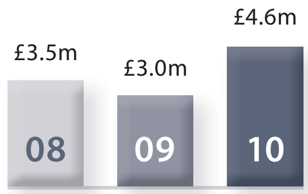
OPERATING PROFIT (£m)



OPERATING PROFIT (£m)



OPERATING PROFIT (£m)



* = Before exceptional items in 2008 and 2009

CONTENTS

C50

FRONT COVER IMAGE

The C50 was developed by Avon Protection for the military and law enforcement communities. It has been selected by numerous police forces worldwide including UK Police firearms teams, Australian Federal Police Force, Singapore Police, New York Correctional Department plus a number of armed forces and security units in the Middle East, Europe and Asia. The C50 is currently being used for battlefield CBRN protection, specialist law enforcement and counter terrorism operations.

M50

THE LATEST GENERATION OF MILITARY CBRN MASK

With over half a million units already manufactured the M50 or JSGPM CBRNe mask is now being fielded to and used on a daily basis by US warfighters in all 4 Department of Defense (DoD) services as well as the National Guard. The M50/51 will replace all existing masks in service delivering unparalleled levels of protection and comfort with lower physiological burden as well as a lower through life cost to the DoD through a more robust product and smaller logistics burden. All services are now keen to take delivery and deliver this enhanced capability to the warfighter. Looking forward Avon is already focused on midlife upgrades which will expand the capabilities of the M50 in areas such as protection against toxic industrial materials and non traditional agents, increased communications capability and increased levels of protection. As many of our allies around the world see the capabilities of the M50 first hand they will look to replace their inventories of ageing CBRNe masks with the M50/51 which will allow them a level of interoperability with US forces and to benefit from the $100m invested by the DoD in the development of the M50 mask.

ST53

VERSATILE PROTECTION

CE APPROVAL ACHIEVED

Avon Protection has received CE certification for its innovative ST53 multi-functional respiratory system. The ST53 has the ability to switch between negative (filter) and positive (SCBA) pressure and has the FM53 mask at its core.

Developed with the unknown elements of a threat scenario in mind, this certification cements the ST53's position as the most advanced respiratory solution on the market, and Avon Protection as one of the leading CBRN respiratory manufacturers in the world.

By adding CE certification to its long list of benefits, Avon have now made the ST53 accessible to a global market, including police forces, SWAT teams, special forces, private security firms and other civilian establishments as well as the military.

C50

THE NEW GENERATION

DEDICATED TO DEFENCE

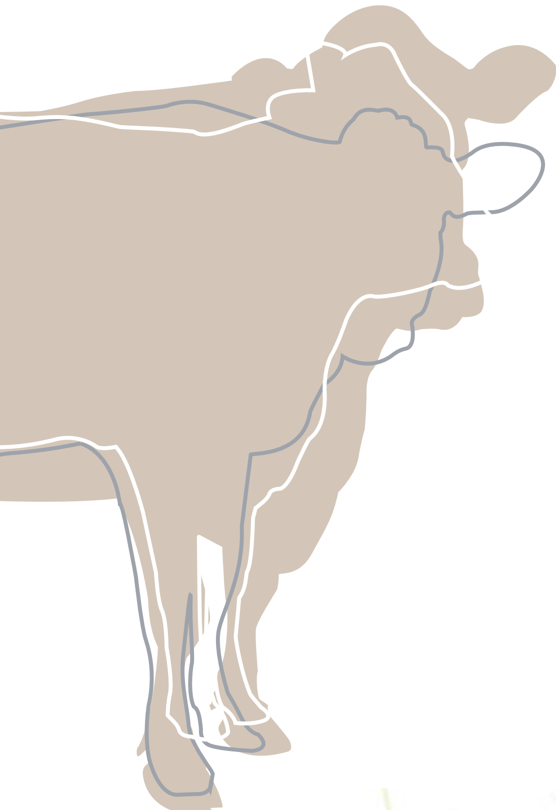
The C50 is derived from the M50 and has been specifically designed to meet the NIOSH CBRN standards in North America for use by first responders and law enforcement. While maintaining many of the benefits of the M50 design this product allows the use of a wider range of filters for specific scenarios such as CS/CN and ammonia and will also allow the use of existing filters that may be in inventory. The C50 is already appealing to a large market around the world and Avon already has a number of variants under development for specific markets in South America and for US correctional facilities. Many of the enhancements delivered to the M50 over the next few years will be available in the C50 range.

MILK-RITE®

animal health and milk quality

In addition to the world's leading brand of dairy liners, Milk-Rite have launched a new range of claws and shells to enable full cluster product offerings into European and North American markets. This will help to expand the Milk-Rite product offering and strengthen the positioning of the brand within the dealer's product portfolio.

The Impulse cluster is available with a number of regional options and sizings and can be configured into 296 variations.



the New!

impulse IP-MV

MOUTHPIECE VENTED LINERS

Patent Pending

During 2010, Milk-Rite launched the new IP-MV range of liners into North America. The launch was well received by the market and gained a 2% market share from first quarter sales.

Milk-Rite believe this is the most innovative liner available within the industry, one that can demonstrate clear advantages in milking speed, teat health and milk quality.

MILK-RITE®
animal health and milk quality

New!

Advanced

TECHNOLOGY

The Ultrapuls pulsator is the first pulsation product sold under the Milk-Rite brand. The LE30 model provides system benefits when used in combination with the IP-MV product. Milk-Rite expect to launch further new products during 2011 to compliment their range.

MILK-RITE®
animal health and milk quality

FOCUS ON PRODUCT DEVELOPMENT

Avon Protection is globally recognised as the leading authority for the design and development of military masks and breathing apparatus. Our customers are increasingly looking for integrated solutions to their requirements for personal protection and as our knowledge and product base continue to grow, we are able to apply our technology to new applications. 2011 will therefore see a number of new initiatives within our portfolio.

SS502i

PROTECTIVE SUIT INTERFACE

- A new generation of CBRN protective suits are entering the market. Using technically advanced 'barrier materials', they offer lightweight, high performance protective ensembles which are frequently worn alongside Avon masks.
- Avon's engineers have therefore worked to develop a custom suit seal, the SS502i, to meet the most stringent international standards for suit and mask integration.
- The unique 3 dimensional seal features twin airbags and a proprietary high-flex material to seal securely against all sizes of Avon's 50 and 53 series masks.
- The SS502i ensures that Avon's masks continue to be at the leading edge of personal protective equipment and their compatibility with the new generation of barrier CBRN suits is guaranteed.

*patent pending

TACTICAL HOOD

- Avon's key user groups regularly encounter dangerous and unpredictable situations where climbing through confined spaces and over sharp unpredictable surfaces is a constant challenge.
- Fabricated from advanced Kevlar textiles, Avon's new Tactical Hood offers unbeatable cut resistance to the head, neck and shoulders, while an extra Nomex layer provides high performance flame retardant protection to the head.
- Verified using our in-house test facilities, Avon's customers can safely use the Tactical Hood with our range of masks, confident in the knowledge that fundamental mask system performance remains uncompromised.

AVONAIR

POWERED AIR DEVICES

- Powered Air Purifying Respirators (PAPRs) provide additional airflow to the facemask, making breathing easier and cooling the wearer. PAPR devices are particularly useful when operating in stressful, physically demanding environments.
- Avon has developed a new range of PAPR devices called Avon Air. The Avon Air PAPRs have a unique compact design and provide a higher flow rate than any comparably sized device.
- A range of Avon Air PAPRs with a variety of filter mounting options to suit particular user groups will be introduced during 2011.

HM50i

HELMET MASK INTERFACE

- A key market for the Avon C50 mask is riot control. In these volatile environments the speed which law enforcement agents can deploy their respiratory protection is critical. In response to this requirement, Avon's engineers have developed a brand new helmet-mask interface codenamed HM50i.
- Utilising a tough, lightweight exo-skeleton, the HM50i allows a C50 to be rapidly attached to a helmet in less than 10 seconds.
- Rigorously verified using Avon's in-house laboratories, the HM50i extends the C50's operational flexibility without compromising its protection performance.

*patent pending

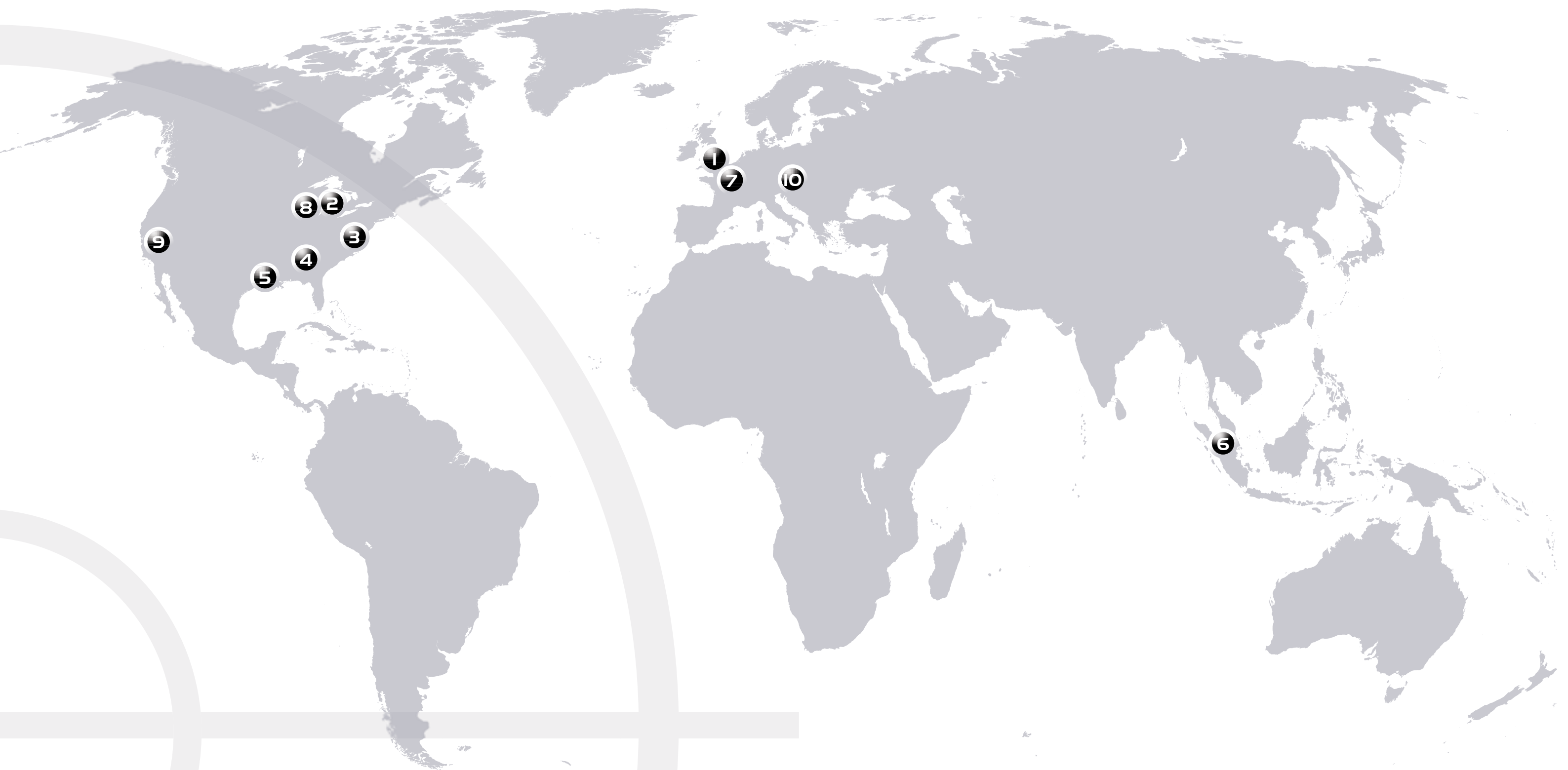
A GLOBAL FOCUS

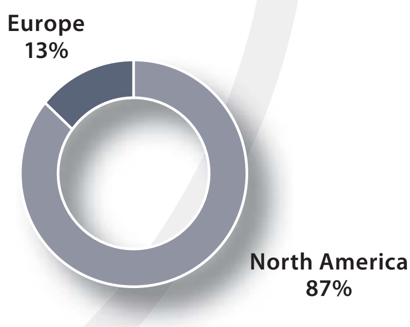
1 AVON

Avon Rubber p.l.c.
Corporate Headquarters

AGENTS AND DISTRIBUTORS

AVON PROTECTION	ISI	MILK-RITE® animal health and milk quality
87	57	785





GEOGRAPHICAL REVENUE BY ORIGIN

- Europe - £15m
- North America - £103m

1

AVON PROTECTION

Avon Protection supplies a range of advanced Chemical, Biological, Radiological and Nuclear (CBRN), hazmat and riot control respiratory protection solutions to the world's military, law enforcement, first responder, emergency services, fire and industrial markets.

1

AVON DAIRY SOLUTIONS

The design and sales centre for our Dairy markets in Europe, the Middle East and Asia.

1

artis stretching the limits

Formed from the Research and Development department of Avon Rubber p.l.c., ARTIS are an independent consultancy specialising in the testing, analysis and development of rubber materials.

2

AVON PROTECTION

Our Cadillac facility manufactures and supplies a range of mask systems, filters and accessories to the world's military, law enforcement and homeland security markets.

3

AVON PROTECTION

Business and Innovation Group

Set up as part of our rapid US business growth supporting bid proposal business capture; programme management and contracts; research and evaluation laboratories; training facilities; rapid prototyping and product development; engineering.

4

ISI

ISI specialise in respiratory protection products; Self Contained Breathing Apparatus (SCBA), escape devices, air supply, Rapid Intervention Coupling (RIC) systems and thermal imaging solutions for the first responder and industrial marketplace including fire services and homeland security.

5

AEF

Avon Engineered Fabrications (AEF) specialise in manufacturing flexible structures; hovercraft skirts and flexible tanks and fittings for military, industrial, agricultural and domestic markets.

6

AVON PROTECTION

Sales Office

Our regional office in Kuala Lumpur, Malaysia, is responsible for sales, marketing and customer support for the Asia and Australasia region.

7

AVON PROTECTION

Sales office

Our European office, responsible for Europe and Turkey, is based in the Brussels region close to EU decision makers and NATO.

8

AVON HI-LIFE

US manufacturing, design and distribution facility for our dairy products within the United States, Canada, South America and Australasia.

9

MILK-RITE® animal health and milk quality

The sales and distribution centre for Milk-Rite products to the West Coast region of the United States - the major dairy farming region in the USA.

10

MILK-RITE® animal health and milk quality

European manufacturing

The manufacturing centre with our partners in the Czech Republic for our range of European style dairy liners, destined for dairy markets in Europe, the Middle-East and Asia.

CHAIRMAN'S STATEMENT

"Further penetration of our current and new markets and the introduction of new products will lay the foundation for additional growth."

The Rt. Hon. Sir Richard Needham, Chairman, Avon Rubber p.l.c.

This year has built on the turnaround achieved in 2009. Revenues have grown by 17% (2009: 68%) and operating margins have increased by 2.4% to 7.9% with an operating profit of £9.3m (2009: £5.5m before exceptional items). Our strategy of remaining focused on both our rapidly growing Protection & Defence business and our more mature but high margin and cash generative Dairy business has proved successful. Protection & Defence is winning new customers at an increasing rate and, with the cash we are now generating and the debt capacity we now have, we have been able to increase our investment in both sales and marketing activities and new product development programs laying the foundation for additional growth. Our Dairy business now has an appropriate cost base through the outsourcing of European production and is gaining market share as it expands into new territories. As a result of the Group's good progress, encouraging prospects and strong financial performance, the Board is recommending the resumption of the dividend.

Group results

Revenue increased by 17% to £117.6m (2009: £100.9m) with Protection & Defence up 18% to £90.2m (2009: £76.1m) and Dairy up 10% to £27.4m (2009: £24.8m). Although volatile during the year, the US $ average rate at $1.55 (2009: $1.54) has not had a material impact on the Group's results in 2010.

Operating profit before depreciation, amortisation and (in 2009) exceptional items (EBITDAE) rose 41% to £13.6m (2009: £9.7m). Operating profit (before exceptional items in 2009) rose 68% to £9.3m (2009: £5.5m).

Interest costs fell by 36% to £1.0m and the Group adjusted effective tax rate fell from 50% to 34% to give a retained profit of £4.3m (2009: £0.1m loss) which equates to earnings per share of 15.2p (2009: 0.6p loss).

Net debt reduced to £12.6m (2009: £13.6m) and on 30 September 2010 we agreed new bank facilities of $30.5m and £5m at a reduced cost. These facilities run for at least three years and with the Net Debt: EBITDA ratio now at less than 1 times the Group has generated the debt capacity it needs to support additional growth.

Operating review

The Protection & Defence business has seen revenues grow 18.5% from £76.1m to £90.2m. Operating profit grew by 46% to £6.5m (2009: £4.5m). Demand has remained stable on our long term sole source respirator contract with the US Department of Defense (DoD) and despite downward pressure on military budgets generally we expect spend on Personal Protective Equipment (PPE) for the warfighter to remain stable. The consumable revenue stream associated with the supply of mask systems is growing as the logistics supply chain is stocked to support the issue of the new mask and we have successfully commissioned new filter manufacturing capacity to meet this. The DoD have indicated that the filter spares business will be opened to competition in future although the likelihood is that a second source of supply is still 1 to 2 years away. Avon will continue to supply the filters that are included with the mask system on a sole source basis. Expansion of our range of filters, including the capability to manufacture legacy filters previously bought in, to fill any shortfall that this may cause is one of our development priorities in 2011.

UK Ministry of Defence (MoD) demand has held up but with the much delayed replacement GSR mask programme now approved, 2011 will, as expected, be the last year of supply for Avon's S10 mask. Growth in global demand for our new 50 series products is expected to offset this. Growth outside our core DoD and MoD customer base has been strong. Significant order wins from customers in Italy, Canada and Saudi Arabia announced at the half year have been augmented by further orders from Saudi Arabia and our first foreign military sale through the US DoD, both of which are for delivery in 2011 and should lead to an improved sales mix. We have also seen increased momentum in the homeland security market in the US and have converted several lower value but strategically important new customers in markets around the world to Avon products which will drive further revenue growth.

There has been a significant turnaround at ISI with a return to profitability for the year as a whole after operating losses last year and in the first half of 2010. We have grown market share in a depressed fire services market in the US and exciting opportunities remain in the industrial and military markets for ISI's technology.

Avon Engineered Fabrications (AEF) had an excellent year following the discontinuation of the disposal process with demand for military fuel storage tanks higher than planned in year 2 of its 5 year supply contract. Resolution of our dispute with the prime contractor on this program appears to be progressing towards a satisfactory conclusion.

The Dairy business has recovered from the weakness in the market in 2009 and we have been successful in introducing new higher technology products and in growing our higher margin Milk-Rite brand. The outsourcing of European dairy liner production from the UK to Eastern Europe was achieved on time and to cost and is delivering the benefits we expected. Revenues were 10.5% higher at £27.4m (2009: £24.8m) and operating profit increased by 54% to £4.6m (2009: £3.0m before exceptional items).

Dividend

The improved profitability, cash generation, new banking facilities, agreement of a deficit recovery plan with the pension scheme trustee and the confidence the Board has in the Group's ability to continue to grow mean that the Board is pleased to propose the resumption of a dividend to shareholders in the form of a 1.5p per share 2010 final dividend.

Employees

We have challenged our employees to change significantly over the last two years. This has been required to support the Group's progression to a customer and technology driven, sales and marketing led organisation. While changing, our employees have had to maintain the manufacturing excellence for which the Group is so highly regarded. We recognise that this process has not been easy, but we have seen our people respond positively and I thank them for this on behalf of the Board.

Opportunities

Whilst we are pleased with the improved performance by the Group in the year, we believe that it still does not reflect a high enough return from the excellent businesses that we have. We can still become more effective operationally through better supply chain and logistics management and process risk reduction. We will get new products to market more quickly and efficiently. Management is giving priority to both of these areas.

AVON PROTECTION

G20

The G20 summit held in Toronto, Canada provided Avon with the opportunity to supply over seven thousand C50 masks to police forces with protection for use in the event of crowd disturbance.
What was seen as a precautionary measure rapidly became a reality after protests turned into full scale rioting. The C50 mask was deployed during the release of crowd dispersing riot gases to bring the situation under control.

Outlook

We expect the progress made in 2010 to continue and for operating margins to improve further. Lower interest costs should also have a positive effect on earnings.

The Dairy business will benefit from a full year's impact of the European outsourcing completed during 2010 and relatively stable and benign market conditions. We expect to see a full year's benefit from the recovery in trading at ISI, greater filter volumes with our increased capacity and the significant investment we have made in our sales activities, ahead of the revenue curve, to yield improved margins in our Protection & Defence business. Further penetration of our current and new markets and the introduction of new products will lay the foundation for additional growth.

Richard Needham

The Rt. Hon. Sir Richard Needham
Chairman
24 November 2010

BUSINESS REVIEW

1. Business overview

Avon is a world leader in the design, test and manufacture of advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection solutions to the world's military, law enforcement, first responder, emergency services, fire and industrial markets. Avon has a unique capability in CBRN protection based on a range of advanced CBRN technologies in respirator design, filtration and self contained breathing apparatus. This enables Avon to develop specialised solutions that take full account of user requirements. Avon's world leading dairy business sells liners, tubing and other technical products for the automated milking process to customers around the world.

Protection & Defence

The business consists of a growing range of respiratory products. The main Protection & Defence products are respirators or gas masks (product names S10, FM12, M50, C50, ST53 and M53) together with a range of spares and accessories; the CE approved emergency hood (EH20), NIOSH approved emergency hood (NH15) and self contained breathing apparatus (SCBA) (primarily the Viking product range). The respirators and escape hoods offer breathing protection to varying degrees against CBRN threats while the SCBA equipment offers protection in oxygen depleted environments. We can also manufacture the consumable filters used by these products and thermal imaging camera equipment. A pipeline of further new product developments is being established, with the Powered Air Purifying Respirator (PAPR) range branded Avon Air due to be launched in the first half of 2011.

Our respiratory protection products are sold direct to military markets where our primary customer is the US Department of Defense (DoD) as well as a number of approved friendly governments globally. Other significant markets are categorised under the Homeland Security banner that includes the Police and other emergency services and are sold either directly or through distribution channels. The SCBA and thermal imaging equipment is targeted at fire services and other industrial users, primarily through a distribution network in the US. All of these products are safety critical and the markets are consequently highly regulated with the approval standards creating significant barriers to entry. Product life cycles are long and standardisation to a particular product by users is typical.

Dairy

Our Dairy business manufactures and sells products used in the automated milking process, primarily rubberware such as liners and tubing. These products can be in direct contact with the cow and are replaced regularly to ensure product hygiene, animal welfare and to maximise milk quality. The global market is concentrated in high consumption automated markets in North America and Western Europe where we have significant market shares. Potential exists outside our traditional markets, in particular in China, Eastern Europe, Australasia and South America, which are experiencing rapidly increasing demand for dairy products, and in mechanised milking. Our products are manufactured for major Original Equipment Manufacturers (OEMs) as well as being sold through distributors under our own Milk-Rite brand.

We excel in product design, materials specification and manufacturing efficiency. We are working to bring a wider range of dairy products to market under our Milk-Rite brand, enhancing the farmer's view of Milk-Rite as their primary technical solutions provider. The launch of the innovative Milk-Rite Impulse Mouthpiece Vented Liner in the second half of 2010 has proved to be a successful start to the implementation of this strategy.

MILK-RITE®
animal health and milk quality

MILK-RITE BRAND GROWS ON-LINE

To complement its growing range of technical products, Milk-Rite has expanded its customer focus with the launch of a new website. Containing exciting features such as product animations and testimonials, the website provides technical information and advice on animal health guidelines. With multiple geographic entry points already available, full multilingual versions will be accessible in the first half of 2011.

2. Objectives and strategies

The Group is committed to generating shareholder value through developing products and serving markets that can deliver long-term sustainable revenues at higher than average margins.

The strategy to achieve this is to expand our Protection & Defence business, and to sustain and develop our strong Dairy operations.

Protection & Defence

We have a world leading range of military respirators, developed over many years and funded partially by our customers, where we own (sometimes jointly) the intellectual property. Our strategy is to build on this strong position in the military market, initially through our long term sole source mask systems contract to supply the US military, and subsequently through sales and further long term contracts to other friendly forces. Our range of, and capacity for, filter manufacture is increasing, and developing through life revenues with greater consumable sales and service revenue is also a prime objective. We believe that our existing product range and customer base, together with our credibility and development expertise, will put us in prime position to supply into all accessible global markets.

We are simultaneously targeting homeland security markets with non-military versions of these products. Our SCBA products have the potential for greater integration with our other respiratory protection products and this has been demonstrated with the ST53 product. We aim to increase our range of product offerings, widen our routes to market and aggressively pursue further product approvals and certifications in new markets. In addition, successfully integrating our respiratory products with other CBRN protection products such as boots, gloves and suits, will eventually allow us to provide a full suite of CBRN personal protection. These developments will primarily be through organic growth in the short term although with the Group's strengthened balance sheet the acquisition of add on technologies can now be considered.

Dairy

Our aim is to maintain our market leading position in the US while growing our European business through our own brand Milk-Rite products. We are also investing in opportunities in developing markets such as China and Eastern Europe, which have the potential to deliver growth in the longer term. Innovative new product offerings and continued world class low cost manufacturing excellence enable this business to sustain a consistent record of profitability and cash generation.

AVON PROTECTION

MOCK PRISON RIOT

Mock Prison Riot is a National Institute of Justice annual event for correctional officers from all over North America to experience simulated riot scenarios and test new equipment. The event allowed Avon to supply the ST53 and the new AvonAir range to over one thousand users for use during a gruelling three day schedule. This event provided the end user with an opportunity to experience the significant difference in improved performance and features of Avon products over their existing equipment.

PARTICIPANT:

"I've got every mask I know of on the planet. I've got Avon, I've got Scott, I've got Draeger. I've tried them all and Avon really does make the best mask out there."

http://mockprisonriot.avon-rubber.com

BUSINESS REVIEW

3. Year under review

2010 has been a year of advancement for Avon. Following the turnaround and return to profit in 2009, 2010 has seen substantial financial and operational progress.

The Group's key achievements in 2010 have been:-

- Operating profit growth (before exceptional items in 2009) of 68% to £9.3m in 2010.
- Dividend reinstated reflecting business growth and confidence.
- Reduction in interest payable of 36% from £1.5m to £1.0m
- No statement of comprehensive income exceptional items in 2010
- Cash generated from continuing operating activities (before exceptional items) of £13.1m (2009: £7.4m), representing 142% (2009: 135%) of operating profit.
- New 3 year banking facilities agreed at a reduced cost.
- Order intake in Protection & Defence of £61.7m (2009: £54.5m)
- In Protection & Defence, non DoD sales at a record level.
- Return to profit of our fire business, ISI in 2010.
- First Article Test approval for our new filter line in Cadillac doubles our filter production capability.
- Completion of the European dairy production outsourcing on time and to cost and the delivery of benefits sooner than expected.

Results

2010 has seen Avon show significant growth. Revenue increased by £16.7m (16.5%) to £117.6m (2009: £100.9m) with Protection & Defence up 18.5% from £76.1m to £90.2m and Dairy revenues up 10.5% from £24.8m to £27.4m. The operating profit (before exceptional items in 2009) was £9.3m (2009: £5.5m) and earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDAE) were £13.6m (2009: £9.7m). This represents a return on sales (defined as EBITDAE divided by revenue) of 11.5% (2009: 9.6%). After net interest and other finance costs the profit before tax was £7.1m (2009: £1.9m after exceptional items). After tax, the profit for the year was £4.3m (2009: £0.1m loss).

Exceptional items

There were no exceptional items in 2010 (2009: £2.5m). The 2009 exceptional items related to the costs of the transfer of European Dairy production from the UK to the Czech Republic, offset by gains from the sale and leaseback of dairy production and distribution facilities in the USA.

Finance expenses

Net interest costs reduced to £1.0m (2009: £1.5m) reflecting reduced borrowings as we entered the year together with the lower cost of funding negotiated for 2010. Other (non cash) finance expenses associated with the Group's UK retirement benefit scheme and the unwinding of discount rates on provisions were £1.2m (2009: £0.4m income), the change being largely attributable to the lower discount rate which resulted from lower yields on AA corporate bonds and lower expected rates of return on assets used in the IAS19 calculation for 2010.

ATTENDANCE AT THE STAND WAS EXCELLENT

The showpiece dairy exhibition in the UK moved to the NEC for the first time this year, and Milk-Rite used the occasion to launch their new exhibition stand to promote our revolutionary Impulse Vented liner range. This show is the main event for farmers and dealers in the UK, and the interest shown in Milk-Rite's products both from existing and potential customers was a reflection of our continuing growth.

The new stand was designed to take dairy farmers through our product range from round liners to the technologically advanced vented liner range. A popular feature on the stand is a demonstrator to show the farmers how their cows would feel the difference between a round and triangular liner.

MILK-RITE®
animal health and milk quality

Taxation

The tax charge totalled £2.8m (2009: £2.0m) on a profit before tax of £7.1m (2009: £1.9m). In 2010 the Group paid tax in the US, but not in the UK due to brought forward tax losses. The effective tax rate for the period is 39% (2009: 108%). The adjusted effective tax rate is 34% (2009: 50%), defined as the tax charge divided by the profit before tax, excluding the charge/credit relating to other finance expense/income and exceptional items. The higher tax rate in 2009 was due to two factors: the exceptional item in respect of UK restructuring not giving rise to a tax deduction and the inability to recognise UK tax losses as a deferred tax asset. In 2010 the US federal tax rate was 34% and the Group's adjusted effective tax rate reflects the predominance of US revenues and earnings. Unrecognised deferred tax assets in respect of tax losses in the UK amount to £6.5m (2009: £8.5m).

Discontinued operations/assets held for sale

Discontinued operations in 2009 represented the Avon Engineered Fabrications business (AEF), held for sale at 30 September 2009. The divestment process was terminated during 2010 as a result of uncertainty created by a contractual dispute with one of AEF's major customers. This meant we were not able to conclude a transaction on satisfactory terms and AEF is therefore presented within continuing operations in the Protection & Defence segment. The consolidated statement of comprehensive income and consolidated cashflow statement have been restated accordingly.

Earnings per share

The basic earnings per share were 15.2p (2009: 0.6p loss).

Adjusted earnings per share were 21.9p (2009: 14.5p). Adjusted earnings per share excludes the impact of amortisation of intangibles and exceptional items.

AVON PROTECTION

SWAT

For the 4th consecutive year Avon sponsored the US National SWAT Championships. The event brings together national and international SWAT teams to compete against each other in tactical challenges. Our FM53 is the mask of choice for these specialist users and we coupled this with the ST53 for over 30 Special Operation teams taking part from an international base.

Net debt and cashflow

Net debt at the year end was £12.6m (2009: £13.6m). The Group's new borrowing facilities, finalised on 30 September 2010, are in place for at least 3 years and comprise revolving credit facilities of $30.5m and £5m and are at lower rates that will reduce the cost of borrowing.

In the year we invested £5.6m (2009:£3.6m) in fixed assets and new product development, particularly in the Protection & Defence business where the addition of a second filter line in Cadillac at a cost of £3m doubled filter production capacity. The line achieved US DoD First Article Test approval late in the year and is now therefore capable of delivering filters to the DoD.

AVON PROTECTION

AVON PROTECTION AT CBW SYMPOSIUM

Avon Protection exhibited at CBW Symposium - the 10th International Symposium for the Protection against Chemical and Biological Warfare Agents (CBW). The world's leading CBRNe exhibition and conference was held in Stockholm, Sweden and saw many European and international visitors to the stand including visitors from Denmark, Czech Republic, Italy, Singapore, South Africa, and the USA.

We also concluded the sale and leaseback of our Cadillac facility for $2.6m (£1.7m), the proceeds, which equated to book value, being used to reduce debt. This completes the two year program of sale and leaseback transactions the Group has undertaken in 2009 and 2010.

Continuing operating activities before exceptional items generated cash of £13.1m (2009: £7.4m), representing 142% of operating profit (2009: 135%). Strong management of inventory and receivables meant we only needed to invest £0.3m in working capital to support revenue growth. The trade working capital to revenue ratio was 14.6% (2009: 14.8%).

AVON PROTECTION

S10 ONE MILLIONTH MASK

In February 2010 we manufactured our one millionth S10 respirator for the UK MoD, celebrating the event with the presentation of a commemorative mask to General Sir Kevin O'Donoghue, Defence Equipment and Support's Chief of Defence Material. David Evans (Non-Executive Director) said :

"Sir Kevin's visit is in recognition of the major part Avon and its employees play in protecting the UK's soldiers against the historic, current and future CBRN threat, and goes to prove how highly thought of and reliable Avon's respirators really are in the heat of the battle."

Segmental Performance

Protection & Defence performance

Protection & Defence represents 77% of total Group revenues. Revenue grew by 18.5% to £90.2m (2009: £76.1m). Operating profit amounted to £6.5m (2009: £4.5m) and EBITDA was £10.4m (2009: £7.9m), representing a return on sales (as defined on page 18) of 11.5% (2009: 10.4%).

In May 2008 our Cadillac facility was successful in obtaining a single source $112m, 5 year full rate production (FRP) order from the US Department of Defence (DoD) for the M50 military respirator at the rate of 100,000 mask systems per annum. The DoD also exercised its 'requirements' option to extend the order for a further 5 years allowing it to take up to a further 200,000 mask systems per annum, resulting in total potential quantities of up to 300,000 mask systems per annum over a 10 year period.

In 2010 we delivered product to the value of $68.8m to the DoD against these and other associated spares contracts. There were total orders in hand of $63.3m at 30 September 2010, of which $36.8m are for delivery in 2011, giving us good visibility on this long term contract.

2010 also saw the C50 (the commercial, non-DoD variant of the M50 mask) successful in the North American Homeland Security market and with overseas military customers. Notable successes were achieved in Saudi Arabia, Italy and Canada.

In the UK, the MoD exercised the second year of its three year option contract for S10 masks which was worth £3.0m. In addition an incremental delivery worth £1.3m was made to support operational requirements. We also celebrated production of the one millionth S10 mask for the MoD. The production record for the MoD shows no recorded quality problems and an excellent on time delivery record. Despite this and the availability of the world leading replacement product in the 50 series respirator, the UK MoD appear to remain committed to changing to an alternative product and supplier from 2012.

ISI experienced difficult market conditions in the first half of 2010 and reached breakeven at an EBITDA level in that period. In the second half of the year a combination of the release of Federal grant funding to US fire departments and improvements in its market share, led to ISI returning a small operating profit for the full year. The improvement in market share was driven by product enhancements and our focus on providing the customer with best value rather than the lowest cost.

Avon Engineered Fabrications performed well in 2010, with demand from the DoD for fuel storage tanks leading to increased deliveries against its five year Indefinite Delivery Indefinite Quantity contract.

Dairy performance

Revenues for the Dairy business were up 10.5% at £27.4m (2009: £24.8m) which generated an operating profit (before exceptional items in 2009) of £4.6m (2009: £3.0m). EBITDAE was £5.0m (2009: £3.5m), giving a return on sales (as defined above) of 18.3%, up from 14.1% in 2009.

The improved profitability in our Dairy business resulted from five main contributing factors:-

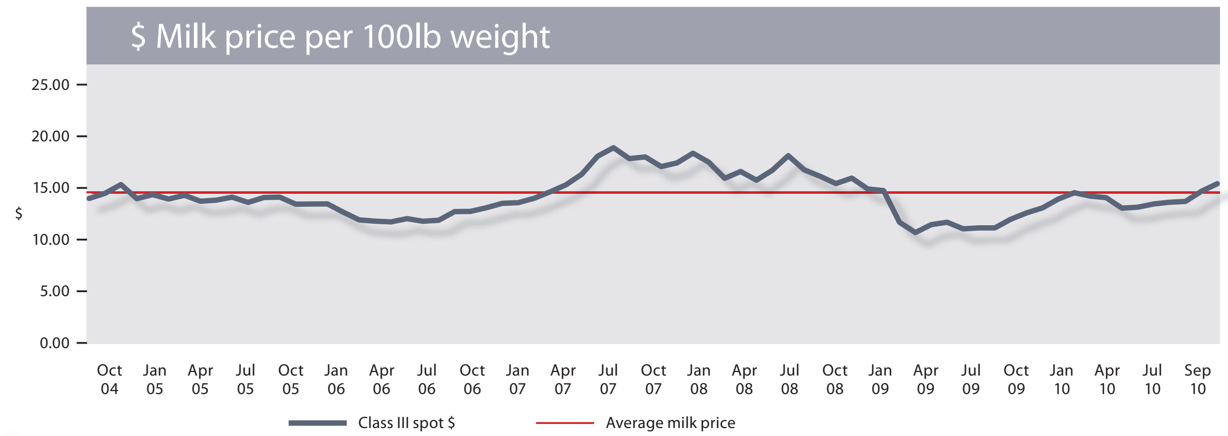
- The recovery in the milk price, from the lows of mid 2009 to historical average levels, led to the consumption for our consumable product returning to more normal levels.
- We completed the outsourcing of our European manufacturing operation on time and to cost and the benefits were delivered earlier than expected.
- Our own brand Milk-Rite grew market share in both North America and Europe.
- Operational efficiency improved at our North American production facility in Johnson Creek, Wisconsin.
- The launch of the revolutionary vented liner in the final quarter was well received by the market.

The plan covers a ten year period and in the next three years the Company has agreed to pay deficit recovery contributions of £0.3m, £0.4m and £0.5m. In addition the Company has agreed that the payment of a dividend to shareholders would trigger further payments linked to the amount of dividend paid, up to a maximum of £0.4m in any one pension scheme financial year. This compares to £0.3m additional contributions which have been made in each of 2008, 2009 and 2010. The subsequent years show escalating payments, also partially linked to dividends, up to a maximum of £1.3m in the tenth year. A further triennial valuation will be undertaken as at 31 March 2012 when the funding level and the recovery plan will be reviewed.

Research and development

Intangible assets totalling £8.8m (2009: £9.9m) form a significant part of the balance sheet as we invest in new product development. This can be seen from our expanding product range, particularly respiratory protection products. The annual charge for amortisation of intangible assets was £1.9m (2009: £1.8m).

Our product development efforts have continued in both divisions. In Protection & Defence we have received NIOSH (US) and CE (European) product approvals for our FM53 mask and our ST53 multi-role breathing



UK retirement benefit obligations

The pension deficit, as measured under IAS 19, associated with the Group's UK retirement benefit obligations has reduced from £8.4m at 30 September 2009 to £6.3m at 30 September 2010. The reduction has been a result of an increase in asset values, offset by a lower discount rate assumption based on AA corporate bond rates.

In respect of the 31 March 2009 triennial actuarial valuation the Company has reached an agreement with the pension scheme Trustee, although this remains subject to approval by the Pensions Regulator. The valuation shows the scheme to be 91.4% funded and as such the Company and the Trustee have had to agree a deficit recovery plan.

apparatus in both short and long-duration configurations. Our total investment in research and development (capitalised and expensed) amounted to £2.3m of which £1.2m was customer funded.

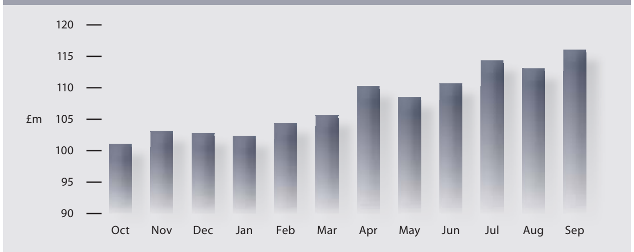
In Dairy we have launched a new concept vented liner and have started to expand our product range under the Milk-Rite brand beyond liners and tubing into non-rubber goods such as pulsators and claws.

We expect to see the benefits of these efforts, which underpin the long term prosperity of the Group, in our 2011 financial year.

4. Key Performance Indicators (KPIs)

The Group uses a variety of performance measures which are detailed below.

Revenue moving annual total (MAT)



increased by **17%**

Reason for choice

This looks at revenue for a cumulative 12 month period and is used to identify the directional trend in revenue.

How we calculate

This is measured at sales value.

Comments on results

Revenue has grown by 17% in 2010 with growth in both our operating divisions.

Protection & Defence orders in hand

reduced by **£20m**

Reason for choice

This demonstrates the orders in hand for fulfilment and future sales.

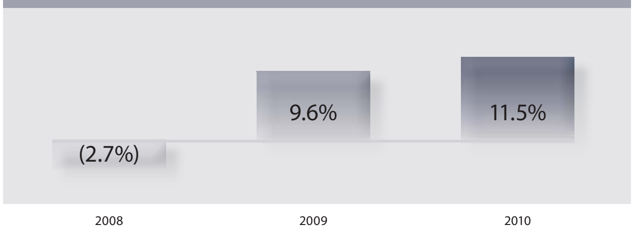
How we calculate

This is measured at sales value.

Comments on results

As expected the consumption of £14m of our 5 year DoD fixed order has led to a reduction in our order book in 2010.

Return on sales



increased to **11.5%**

Reason for choice

This measure brings together the combined effects of procurement, costs, pricing as well as the leverage of our operating assets.

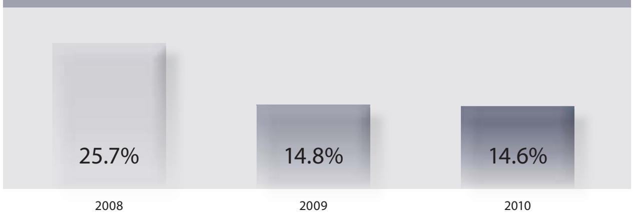
How we calculate

Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDAE) divided by revenue.

Comments on results

We have succeeded in growing our revenue while controlling costs and this had led to an improvement in margins.

Trade working capital to revenue ratio



reduced to **14.6%**

Reason for choice

Management of working capital ensures that profitable revenue growth converts into cash generation.

How we calculate

Trade working capital is defined as inventory + trade receivables – trade payables, expressed as a percentage of revenue.

Comments on results

In 2010, revenue growth has not required significant investment in working capital.

Adjusted earnings per share

increased by **51%**

Reason for choice

This is designed to include the effective management of interest costs and the tax charge and measure the total return achieved for shareholders.

How we calculate

Profit after tax excluding the impact of exceptional items and amortisation as a percentage of revenue.

Comments on results

Lower interest costs and a lower Group effective tax rate in 2010 have contributed to an improved EPS position.

5. Principal risks and uncertainties

The Group has an established process for the identification and management of risk across the two business divisions working within the governance framework set out in our corporate governance statement (see pages 32 to 35). Ultimately the management of risk is the responsibility of the Board of Directors, and the development and execution of a comprehensive and robust system of risk management has a high priority in Avon.

The Board's role in risk management includes promoting a culture that emphasises integrity at all levels of business operations, embedding risk management within the core processes of the business, approving appetite for risk, determining the principal risks, (and ensuring that these are communicated effectively across the businesses), and setting the overall policies for risk management and control.

Risk management within the business involves:

- Identification and assessment of individual risks
- Design of controls
- Testing of controls through internal audits
- Formulating a conclusion on the effectiveness of the control environment in place

The principal risks affecting the Group are identified by the Group Executive team. The process involves quarterly risk assessment and a process for ensuring that the Group's approach to dealing with individual risks is robust and timely. Each risk, once identified, has priorities allocated to it that are owned by the members of the Group Executive team to ensure the correct level of visibility and attention, and update sessions to review progress in dealing with priorities at an operational level are conducted regularly through the year. We identify three main risk areas:

- Strategic risks – risks affecting the strategic aims of the business, or those issues that affect the strategic objectives faced by the Group.
- Financial risks - issues that could affect the finances of the business both externally and from a perspective of internal controls.
- Operational risks – matters arising out of the operational activities of the Group relating to areas such as procurement, product development and interaction with commercial partners.

The top ten risks identified through the risk management process are listed in the table opposite in order of severity and with the categorisation given to them internally shown alongside. Mitigation, where possible, is shown by each identified risk area.

TYPE OF RISK	BUSINESS RISK	MITIGATION
1. Operational	**Business interruption - supply chain** • Dependency on sole supplier/subcontractor • Availability/quality of raw materials	Proactive approach to the approval of second sources and reducing cost through purchasing initiatives. Robust supplier quality management procedures.
2. Operational	**Quality and product recall** • Poor quality systems allow faulty product to reach customer • Process/material/ equipment inadequacy	Focus on Six Sigma manufacturing disciplines, site quality procedures and employee engagement.
3. Strategic	**Product development** • Failure to meet regulatory product/system requirements • Lack of investment in new products • Lack of expertise and skills	Publication of technology roadmap, Intellectual Property manual and New Product Introduction (NPI) process. Focus on delivery of projects in the roadmap on time, to budget and cost. Sales and product development have the objective of delivering external funding and new revenue streams. This coherent strategy helps retain skills and makes recruitment easier.
4. Strategic	**Competitor threat** • Lack of sales growth • Loss of major contract or business to competitor	Setting the strategy for i) securing US Government funding; ii) winning additional business from existing customers; and iii) capturing new customers and revenue streams. Continuing recruitment of sales personnel. Setting and regular monitoring of sales budgets and major sale prospects by the Group Executive and the Board. Continued investment in product development.
5. Operational	**Talent management** • Insufficient skills of employees, poor engagement and morale • Dysfunctional organisational structure/reporting lines	Project Nova (see pages 28 and 29). Also actively managed by succession planning, the annual performance management process and the reward and incentives structure.
6. Strategic	**Customer dependency** • Over reliance on few customers • Poor customer relationships and communication due to incomplete understanding of customers or failure to meet expectations	Focus on customer service (internal and external).
7. Operational	**Non-compliance with legislation** • Failure to comply with export controls, International Trading in Arms Regulations (ITAR), product approvals	Regular focus and review of the ITAR control framework, NPI process and the internal control procedures.
8. Strategic	**Political and economic instability** • Increasing long term US medical costs • Exchange rate fluctuations	Active management of US medical programmes by the Group Executive team. Use of forward exchange contracts to mitigate short term exchange rate volatility and denomination of bank facility in US dollars to hedge investment into USA.
9. Financial	**Financial management** • Foreign exchange risk and debt capacity • Funding of the UK defined benefit pension scheme • Poor / insufficient financial controls	Implementation of effective internal control procedures and internal audit. Definition of reporting structures (monthly Business Reviews, quarterly Group Executive review, annual budget process and an independent Audit Committee).
10. Operational	**Business interruption-access** • Plant closures due to natural disaster or major incident • IT failure	Regular review of control environment, disaster recovery planning and insurance.

6. Treasury policy and exchange rates

The Group uses various types of financial instruments to manage its exposure to market risks which arise from its business operations, full details of which are included in note 19 of the financial statements. The main risks continue to be movements in foreign currency and interest rates.

The Group's exposure to these risks is managed by the Group Finance Director who reports to the Board. The Group faces translation currency exposure on its overseas subsidiaries and is exposed in particular to changes in the US dollar.

Each business hedges significant transactional exposure by entering into forward exchange contracts for known sales and purchases. The Group reports trading results of overseas companies based on average rates of exchange compared with sterling over the year. This statement of comprehensive income translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the statement of comprehensive income is exposed to the following:

- Based on the 2010 results a 5¢ movement in the average US dollar rate would have impacted reported operating profit by £0.23m and profit after tax by £0.13m.

The balance sheets of overseas companies are included in the consolidated balance sheet based on the local currencies being translated at the closing rates of exchange. Balance sheet translation exposure has been partially hedged by matching either with foreign currency borrowings within the subsidiaries or with foreign currency borrowings which are held centrally.

At the end of the year the asset exposure was 31% hedged (2009: 33%). As a result of the remaining balance sheet exposure after hedging, the Group was exposed to the following:

- Based on the 2010 results a 5¢ movement in the average US dollar rate would have impacted Group assets by £1.0m (2009: £0.6m)

The Group is exposed to interest rate fluctuations and with net debt of £12.6m a 1% movement in interest rates would impact the interest costs by £126,000. The Group assesses the need to obtain the best mix of fixed and floating interest rates in conjunction with the maturity profile of its debt. The Group had none of its borrowings fixed at the year end (2009: none).

Dr. Andy Capon, succeeded Mr. Graham Powe as President at ISRP.

AVON PROTECTION

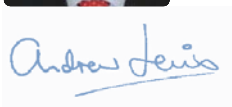
EXPERTISE, KNOWLEDGE AND EXPERIENCE

Dr Andy Capon, Test and Trials Manager at Avon Protection has been awarded the Presidency of the International Society for Respiratory Protection (ISRP). Andy has long been a key opinion leader within the industry and it is this level of expertise, knowledge and experience which positions Avon as world leaders in the field of CBRN respiratory protection.

7. Environmental, employee and social & community issues

These matters are discussed on pages 26 to 29.

Peter Slabbert
Chief Executive
24 November 2010



Andrew Lewis
Group Finance Director
24 November 2010

BOARD OF DIRECTORS

THE RT. HON. SIR RICHARD NEEDHAM
CHAIRMAN

Aged 68, Sir Richard was appointed to the Board as Chairman in January 2007. He was Member of Parliament for North Wiltshire from 1979 to 1992 and has served as a Minister in Northern Ireland and as Minister of Trade. In 1994 he was made a Privy Counsellor and was knighted in 1997. He is Vice Chairman of NEC Europe Ltd and an independent Director of Dyson Ltd. He was an Executive Director of GEC PLC, Chairman of GPT Ltd and was previously Chairman of Biocompatibles plc, a Non-Executive Director of Meggitt Plc and has been a Non-Executive Director of a number of other public and private companies. In July 2010 Sir Richard received the honorary degree of Doctor of Laws (LLD) for services to business development from Ulster University.

"We have challenged our employees to change significantly over the last two years and have seen them respond positively – I thank them for this on behalf of the Board."

PETER SLABBERT
CHIEF EXECUTIVE

Aged 48, Peter joined Avon as Group Financial Controller in May 2000. He was appointed Group Finance Director on 1 July 2005 and Chief Executive on 21 April 2008. A Chartered Accountant and a Chartered Management Accountant, Peter joined Avon from Tilbury Douglas where he was Divisional Finance Director and Group Financial Controller. Prior to that he worked at Bearing Power International as Finance Director.

ANDREW LEWIS
GROUP FINANCE DIRECTOR

Aged 39, Andrew joined Avon in September 2008 as Group Finance Director. Andrew holds a 1st Class joint honours degree in Mathematics and Accounting from the University College of North Wales, Bangor and is a Fellow of the Institute of Chartered Accountants in England and Wales. He gained a wide range of international experience as a Director at PricewaterhouseCoopers before joining Rotork p.l.c. as Group Financial Controller.

DAVID EVANS
NON-EXECUTIVE DIRECTOR

Aged 63. David was appointed to the Board in June 2007. He has been working in the defence sector for over 30 years with extensive knowledge of the US market. David spent 17 years with GEC-Marconi before joining Chemring Group PLC in 1987 and was appointed Chief Executive in 1999. He has remained on the Chemring Board as a Non-Executive Director following his retirement in April 2005. He was previously a Non-Executive Director of Whatman PLC.

STELLA PIRIE OBE
NON-EXECUTIVE DIRECTOR

Aged 60, Stella was appointed to the Board in March 2005. She began her career as an auditor at KPMG before becoming Divisional Finance Director and Group Treasurer of Rotork p.l.c. and then Finance Director of GWR Group Plc. Stella holds a degree in Economics from the University of Manchester and is a Non-Executive Director of Schroder UK Growth Fund Plc and Highcross Group Ltd. She is also Chairman of Bath Spa University. Stella was awarded the OBE in 1999.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2010

The Directors submit the one hundred and twentieth 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 2010. The Company is registered in England and Wales with registration number 00032965.

Principal activities and business review

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

The business review, which includes information on the Group's development and performance during the year and commentary on future developments is set out on pages 12 to 20.

Financial results and dividend

The Group profit for the year after taxation amounts to £4,326,000 (2009: £142,000 loss). Full details are set out in the statement of comprehensive income on page 44.

No interim dividend was paid in respect of the half year ending 31 March 2010 (2009: nil).

The Directors recommend a final dividend of 1.5p per share (2009: nil) resulting in a total dividend distribution per share for the year to 30 September 2010 of 1.5p (2009: nil).

Share capital

Details of the Company's share capital, including rights and obligations attaching to the shares, are set out in note 20 of the financial statements. The issued share capital consists of ordinary shares with a nominal value of £1, all of which are fully paid up, rank equally in all respects and are listed on the Official List and traded on the London Stock Exchange. The rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association ('Articles'), copies of which can be obtained from Companies House or by writing to the Company Secretary. The Company is proposing to amend the Articles at the forthcoming annual general meeting and an explanatory note explaining the most important changes is attached to the Notice of Meeting.

Shareholders are entitled to receive the Company's reports and accounts and to attend, speak and exercise voting rights (including by proxy) at general meetings. There are no restrictions on the transfer of issued shares or on the exercise of voting rights attached to them, except where the Company has suspended their voting rights or prohibited their transfer following a failure to respond to a notice to shareholders under section 793 of the Companies Act 2006, or where the holder is precluded from transferring or voting by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers. The 2,437,681 shares held in the names of the two Employee Share Ownership Trusts 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 recipients of the awards.

The only significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid are the bank loan agreements and the performance share plan. The agreements relating to the £5,000,000 and US$15,500,000 revolving credit facility made available to the Company by Barclays Bank PLC and the $15,000,000 revolving credit facility made available to the Company by Comerica Bank would become repayable upon a change of control of the Company and are therefore considered significant in terms of potential impact on the business of the Group as a whole if there was a change of control. A change of control will be deemed to have occurred if any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers) at any time is/are or become(s) interested in more than 50% of the issued ordinary share capital of the Company. Under the rules of the Performance Share Plan, on a takeover a proportion of each outstanding grant will vest. The number of shares that vest is to be determined by the Remuneration Committee, including by reference to the extent to which the performance condition has been satisfied and the number of months that have passed since the award was made.

Substantial shareholdings

At 11 November 2010, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Gartmore Investment Management	12.6%
Schroder Investment Management	12.3%
Avon Rubber p.l.c. Employee Benefit Trust	7.9%
Barclays Stockbrokers Limited	4.2%
M&G Investment Management	3.9%
Henderson Global Investors	3.6%
Amundi Asset Management	3.4%

Acquisition of own shares

During the year the Directors had the power to make purchases of up to 4,371,000 of the Company's own shares in issue on the basis set out in the explanatory note on page 102. No share purchases were made by the Company during the year but it did fund the purchase of 175,000 shares by one of the Employee Share Ownership Trusts as described on page 39. The Directors also had the authority to allot shares up to an aggregate nominal value of £9,713,560 which was approved by shareholders at the 2009 annual general meeting. In addition, shareholders approved a resolution giving the Directors a limited authority to allot shares for cash other than pro rata to existing shareholders. These resolutions remain valid until the conclusion of this year's annual general meeting when resolutions to renew these authorities will be proposed.

Directors

The names of the Directors as at 24 November 2010 are set out on page 21.

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. 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 40.

The Board is satisfied that Sir Richard Needham, Mr. D.R. Evans and Mrs. S.J. Pirie are independent Non-Executive Directors. Each have service agreements and details of these are contained in the Remuneration Report on page 40.

Mr. D.R. Evans and Mr. P.C. Slabbert retire by rotation and, being eligible, offer themselves for re-election.

The Board confirms that Mr. D.R. Evans has contributed substantially to the performance of the Board. The Chairman gives his full support to Mr. Evans' offer of re-election and draws the attention of shareholders to his profile on page 21.

The Board confirms that Mr. P.C. Slabbert has contributed substantially to the performance of the Board. The Chairman gives his full support to Mr. Slabbert's offer of re-election and draws the attention of shareholders to his profile on page 21.

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

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

Directors and Officers indemnity insurance

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Research and development

The Group continues to utilise its 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 £1,066,000 (2009: £1,196,000) further details of which are contained in the Business Review on pages 12 to 20.

Through ARTIS 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 responsibilty are set out at the end of this report on pages 26 to 31.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to £13,980 (2009: £9,839) consisting exclusively of numerous small donations to various community charities in Wiltshire, Michigan, Wisconsin, Georgia and Mississippi.

Financial instruments

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

Statement of Directors' responsibility for preparing the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' 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 IFRS, issued by the Inernational 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 Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Each of the Directors, whose names and functions are listed on page 21 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 Business Review contained in pages 12 to 20 of the Annual Report 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 2010, the number of days purchases outstanding at the end of the financial year for the Group was 27 days (2009: 51 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 2010 there were no trade creditors in the balance sheet of the parent company.

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.

Annual general meeting

The Company's annual general meeting will be held at its Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 3 March 2011 at 10.30am. The Notice of Meeting can be found on pages 96 to 102. Registration will be from 10:00am.

Miles Ingrey-Counter
Company Secretary
24 November 2010

overview of the year

how we run our business

how we performed

shareholders information

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILTY

Environmental and corporate social responsibility

The Directors recognise the importance placed in the UK on how businesses take account of their economic, social and environmental impacts in the way they operate, with the aim of addressing their own competitive interests at the same time as those of wider society. The Directors acknowledge that this involves balancing the interests of shareholders, employees, customers, suppliers and the wider communities in which our businesses operate.

Business conduct

Our Policy & Code on Business Conduct requires our employees to carry on their business activities in a way that will attract the respect of those they deal with and will not bring Avon's reputation into disrepute. This includes complying with the laws and regulations in the countries in which we operate and do business. The Policy & Code also contains guidance on avoiding conflicts of interest and managing relationships with third parties.

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

Ethics and anti-corruption

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

Environment

The Group's goal is to ensure that its businesses are as efficient as possible. Our environmental objectives continue to centre around the activities of:

- Energy consumption
- Waste and recycling
- Supplier environmental development

Energy saving initiatives

Hampton Park West

Hampton Park West (HPW) in Wiltshire has maintained its commitment to identifying and implementing opportunities to reduce its energy consumption and carbon footprint during the year. Over the past year a number of new initiatives have been adopted and HPW has made a saving in electricity of 228,730kWh (125t CO_2).

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

To ensure that all energy saving opportunities were identified an assessment was commissioned with the Carbon Trust. This encompassed the use of electricity and gas, steam boiler efficiency, waste heat recovery, our energy policy and workforce training and has identified further potential savings of 1,632,000kWh (668t CO_2).

HPW passed two ISO 14001 audits this year and looks forward to the re-qualification audit in February 2011. An environmental notice board has helped to keep employees up to date with aspects of the environmental policy and the tracking of our utilities against budget.

Recycling at HPW of scrap and waste is running at 85% and now includes items such as glass and plastic. Using the National Industrial Symbiosis Programme, good progress has been made in finding users for our uncured rubber waste.

Picayune

Working with the Mississippi Development Authority in conjunction with the Mississippi Job Protection Program Avon Engineered Fabrications secured an energy conservation grant during the year of $82,000 which was used for a new high efficiency, larger capacity boiler system. During the year AEF has also:

- reinsulated all existing piping to steam equipment and fitted all steam presses with energy efficient gate valves. This is estimated to have realised an increased efficiency of 25% and an energy saving of 35% compared to the previous system.
- installed new energy efficient lighting which is estimated to have realised a saving of 7,403kWh. Plans are being made to replace all manufacturing floor lighting which will result in a further saving of over 104,112 kWh.

Cadillac

At Cadillac, a focus on green issues has resulted in the installation of high efficiency lighting, a high efficiency air compressor, and the entering into of an agreement with a local firm to recycle cardboard and pallets. Cardboard and pallets are the two highest volume contributors to landfill at Cadillac and this initiative has dramatically reduced the volume of material being sent to landfill.

Johnson Creek

Avon Hi-Life in Wisconsin continued their focus on scrap reduction and recycling to limit the volume of rubber and other waste sent to landfill.

Health and safety

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

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

Accident rates across the 5 manufacturing sites during 2010

	OSHA RII RATE FOR THE YEAR*	OSHA RECORDABLE ACCIDENTS FOR THE YEAR
Hampton Park West, UK	NIL	NIL
Avon Protection Systems, Cadillac	2.69	8.0
Hi-Life, Wisconsin	NIL	NIL
ISI, Georgia	NIL	NIL
AEF, Mississippi	11.28	5.0

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

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILTY

Suppliers

Avon recognises the need to treat its suppliers both fairly and responsibly and this is stated clearly in the Policy & Code of Business Conduct.

All tenders for business are treated accordingly to strict and unbiased guidelines. All such tenders are underlined by legal requirement for an official Request for Quotation, all tenders being reviewed according to the requirements set out in the tender documentation. Where required, Avon will complete a cross-function decision-making worksheet to assess each supplier against agreed criteria.

Avon grades each key supplier on a monthly basis against Parts Per Million (PPM) and On Time In Full (OTIF) targets, encouraging suppliers to submit and agree to their own OTIF performance. This information is shared and discussed with suppliers on a monthly basis.

Avon encourages long term relationships with its supply base through the use of service level agreements, the aim of which is not only to protect Avon in terms of setting agreed guidelines for quality, cost and delivery, but equally to ensure that Avon adheres to its own responsibilities. Examples would be the setting of agreed stock liability and volumes which recognises a supplier's own material constraints against Avon's desire for efficiences and optimum pricing.

Community and charitable contributions

Avon Protection Systems in Cadillac, MI:

- Participates in the United Way fund raising drive each year.
- 'Adopted' two local families during last year's Christmas season. The Salvation Army provided a list of items from two families in need. The requested items ranged from basic clothing to toys for the children. The response was overwhelming and several employees pooled their resources to purchase the larger ticket items.

  The Cadillac Evening News picked up the story and interviewed Rhonda Lung, the event coordinator. While the identity of the receiving families is kept confidential one of the families recognised the gifts from the pictures and sent Rhonda a letter thanking her and APS.
- Sponsored a Feeding America food truck. Every two weeks the truck brings in enough food to sustain 150 families. In July APS sponsored the truck and provided the labour for the food distribution.
- Donated money towards improvement projects at the Cadillac Mercy Hospital.
- Continued with it's Jeans Day Fridays, this year we have raising over $5,000 that was distributed to 11 local charities.

FEEDING AMERICA   AVON PROTECTION

AVON PROTECTION SYSTEMS IN CADILLAC, MI,

This year over 20 volunteers from Avon Protection Systems in Cadillac, Michigan, took part in the food distribution programme run by Feeding America, the leading US domestic hunger-relief charity. Avon sponsored a vehicle for distributing approximately 5 tonnes of food.

Hi-Life in Johnson Creek, WI:

- Runs a Christmas neighbour program which involves employees giving gifts and food to needy families in Jefferson County
- Donations to help fund local community projects and to local schools to buy books and fund learning programs.

ISI in Lawrenceville, GA:

- Supports the Quinn House, an organisation providing support to families in need.

Avon Engineered Fabrications in Picayune, MS:

- Participated in the local 4-H Club by sponsoring summer activities and local events.
- Sponsored scholarships for the local community college for three local high school students.
- Participated in a project with Pearl River County Partners in Leadership that has raised over $2,500 for books created and published by local 5th graders.

UK

- Hampton Park West held a Family Fun Day with charitable donations going to Dorothy House, Melksham House and Little Sisters of the Poor and sponsored events for Breast Cancer, Comic Relief and Children in Need
- HPW support local schools and colleges with science talks and presentations, local school work experience placements and industrial design university placement schemes.

The Group maintains a fund with the Community Foundation for Wiltshire and Swindon, a charity dedicated to strengthening local communities in West Wiltshire by targeting its grants to make a genuine difference to the lives of local people. This year Avon's fund provided grants to:

- SPLITZ Support Services - this group support adults and children affected by domestic violence and abuse and the grant supported the provision of volunteer 'Buddies' for service users.
- Melksham 1st - enabled the group to continue to run the Berryfields Homework Club which gives the children in that area a safe and welcoming environment to work in.

The Community Foundation for Wiltshire & Swindon

HELP for HEROES Support for our Wounded

Girlguiding UK

Scouts be prepared...

DOROTHY HOUSE Hospice Care

L-R Hayley Baddon, Will Darvill and James Carswell.

AVON PROTECTION

FOCUS ON GRADUATE DEVELOPMENT

Avon integrates graduate and undergraduate students directly into teams providing them with opportunities to grow their personal development skills and enhance the Company workforce. Design engineers are empowered to develop new, innovative solutions using the most up to date tools and techniques to augment the current design process.

"Working at Avon is a fantastic opportunity to use and develop skills I have learned at University. Working on new product development is giving me huge amounts of experience of how products are designed, developed and tested."

James Carswell, Student Industrial Designer

Miles Ingrey-Counter
Company Secretary
24 November 2010

FOCUS ON AVON'S CULTURE

NOVA – TURNING AVON AROUND

Recognising the need to focus on the engagement of our employees, we introduced the NOVA programme in the second half of 2009. With our focus on being a modern, flexible, customer service driven organisation with an environment of trust and empowerment we introduced CREED as Avon's new set of values.

We celebrate and reward achievement, not only through defined bonus schemes but also to reinforce simple actions such as giving colleagues an informal 'pat on the back' for a job well done. We promote positive action and empower our people whilst engaging and involving them through effective communication. We embrace our diverse cultural backgrounds and wide ranging talents, allowing all of our people to have a voice and a role in our success.

The NOVA story so far

Focus on our customers :

During the year we piloted a customer delight survey through our US Protection business and will be expanding this throughout the Group in the coming months. The results will be the focus of our customer service strategy going forward.

Focus on Avon's brand:

Our brand has been strengthened to reflect our cutting edge products, not only externally in our product literature, marketing materials, websites and exhibition displays, but within our facilities to reinforce internally our leading products and the importance of our customers.

Focus on communication:

Local site management teams communicate regularly through briefings and newsletters and to ensure wider communication there is a quarterly message from the CEO, covering not only how the business is performing but also recognising employees and celebrating success. A 'unified communications platform' has been implemented (including a single telephony system across all of our sites and video conference equipment for all facilities) to foster effective internal communication. Further audio-visual technology is being implemented at all sites and at our exhibitions to showcase our businesses group-wide and enhance our product launches externally and internally.

Focus on our employees

Employee performance measurement:

Avon's Performance Management Process (PMP) was re-defined to reflect NOVA's desired behavioural competencies – CREED. Every employee is assessed according to these five fundamental values.

Recognition and reward:

Avon's 'CREED Heroes' program is a quarterly award scheme through which every single employee can nominate a colleague who they think 'has gone the extra mile' or embodies the CREED values in all that they do. The winner is chosen by an elected committee at each site without management involvement.

Each CREED Hero receives a tangible award and wide recognition across the Group. A site Hero is chosen from the quarterly winners and these are shortlisted to receive an annual prize.

Employee opinion survey 2009/2010 ('EOS'):

To further focus on our employees, who we view as our 'internal customers', an Employee Opinion Survey was undertaken, with 20 structured questions based around the CREED values and also an opportunity for each employee to put themselves in the CEO's shoes and suggest what could be done better.

For the first time within Avon a survey like this was completed completely online. Every employee, whether desk based or shop floor, now has access to a PC and the internet, and access to our secure intranet if they have a PC at home. When this year's survey results were assessed,

CREED

AVON's principles and values

C understanding and delivering our CUSTOMER (internal or external) needs and expectations

R motivating our people through appropriate RECOGNITION and reward programmes

E providing responsibility through meaningful employee EMPOWERMENT

E ensuring a friendly and ENGAGED environment that embraces worthwhile communications where innovation is encouraged

D recognising the value of cultural DIVERSITY and talent across our businesses the survey had a very high response rate and only 13% of responses to the structured questions were negative in nature. The results were published in full for all our employees to review.

The results also identified clear areas for focus improvement. The issues raised by the EOS are now key to driving future NOVA programme activities.

The EOS is a clear driver for change and will be undertaken again at the end of 2010. This will be the platform to ensure Avon listens to its employees and strives for continuing improvement.

Focus on the future

As a direct result of feedback through the EOS a thorough review of our business systems and procedures will be undertaken to streamline outdated, overly bureaucratic and lethargic processes and remove duplication of effort.

Although simpler in concept (but no less effective), myNOVA will be launched, empowering every single employee to identify improvements in the way they work and recognising them for doing so.
myNOVA introduces the potential for hundreds of small scale improvements which collectively can make a significant difference to the way Avon works. NOVA has been adopted as every employee's responsibility, allowing positive change to be made by all, irrespective of their position.

Customer focus remains key and our customer delight surveys will continue to allow us to tailor our training and development of customer-facing employees and the Group as a whole.

Employee development is also vital to the Group's success and we will continue to develop and recognise the talent we have at Avon, with CREED continuing to be the basis for formal performance assessment.

NOVA and the CREED values define the way in which we conduct our business, and NOVA will evolve as an ongoing project over the coming years.

Our employee opinion surveys and customer surveys will continue to drive positive change through the NOVA program which will constantly develop and improve our business culture to strengthen Avon's brand externally, and internally to empower, engage and develop our people.

TIM BUCKLEY
SITE CREED HERO FOR AEF

ERIC RUBENBAUER
SITE CREED HERO FOR HI-LIFE

AVON'S CREED HERO FOR 2010

JAMES McDANIEL
OF ISI

RICHARD RIVERS
SITE CREED HERO FOR HPW

LISA VERMILYEA
SITE CREED HERO FOR APS

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

The Company believes in maintaining high standards of corporate governance and the Board 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 Combined Code of Corporate Governance ('the Code') which is available on the website of the Financial Reporting Council ('FRC'). The Company is applying the June 2008 version of the Code for the financial year commencing 1 October 2009.

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 2010. This statement will address separately the three main subject areas of the Code namely the Board, Relations with Shareholders and Accountability and Audit. Directors' remuneration is dealt within the Remuneration Report on pages 36 to 43.

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.

The Board

During the year the Board of Avon Rubber p.l.c. comprised a Chairman, two independent Non-Executive Directors ('the Non-Executive Directors'), and two Executive Directors who are the Chief Executive and the Group Finance Director. All Directors submit themselves for re-election at regular intervals of not more than three years and are subject to re-election at their first annual general meeting after appointment. Additionally, the Non-Executive Directors are appointed by the Board for specific terms and reappointment is not automatic. Non-Executive Directors submit themselves for annual re-election if they have served for more than 9 years since first election.

Biographies of the Directors appear on page 21. These illustrate the range of business and financial experience which the Board is able to call upon. The intention of the Board is that its membership should be well 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 by the Board. The Chairman is responsible for the leadership of the Board and the Chief Executive manages the Group and has the prime role, with the assistance of the Board, in developing and implementing business strategy.

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

An annual performance evaluation was undertaken by the Board during the year. The Chairman acted as the sponsor of the evaluation process and each Director was required to score a questionnaire for review by the Board and appropriate Committees. The Company Secretary acted as facilitator to the Board and issues arising from the process were incorporated into the Board's business as appropriate. Within the evaluation exercise, the Board addressed three key areas; the extent to which the Board focuses on the right issues, interacts effectively and has the right mechanics in place. Mrs. Pirie, the Senior Independent Director, and Mr. Evans conducted a performance evaluation of the Chairman, taking into account the views of the Executive Directors.

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. 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 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 is regularly reviewed and includes appropriate strategic, financial, organisational and compliance issues, embracing the approval of high level announcements, circulars, the report and accounts and certain strategic and management issues. Examples of strategic and management issues include the 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 and; the approval of significant contracts, for example the acquisition or disposal of assets worth more than £250,000 or the exposure of the Company or the Group to a risk greater than £250,000.

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 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.

Of particular importance in a governance context are 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 regard the Chairman as adding significant value to the deliberations of the Audit Committee and his membership is now ratified by Provision C.3.1. of the Code, which permits listed companies outside the FTSE 350 to allow the chairman to sit on the audit committee where he or she was considered independent on appointment. Mrs. S.J. Pirie remains Chairman of the Audit Committee and Senior Independent Non-Executive Director. The Board is satisfied that Mrs. Pirie has recent relevant financial experience and her profile appears on page 21. Sir Richard Needham chairs the Nominations Committee except where it is dealing with the appointment of a successor to the Chairman of the Board, when the Senior Independent Director would take the chair of the Committee. Mr. D.R. Evans remains 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 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.

The Nominations Committee, to which the Chief Executive is normally invited, reviews the Board structure, leads the process for Board appointments and makes recommendations to the Board, including on Board succession planning. The Nominations Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the role for new appointments. In identifying potential candidates for positions as Non-Executive directors, the Committee has full regard to the principles of the Code regarding the independence of Non-Executive directors. The Committee did not meet during the year.

The Audit Committee meets at least three times a year. The meetings are also attended by the Executive Directors and usually by representatives of the Group's external auditors. At meetings attended by the external auditors time is allowed for the Audit Committee to discuss issues with the external auditors with no Executive Directors 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. As well as reviewing draft preliminary and interim statements, the Committee reviews significant financial reporting judgements contained in formal announcements by the Company.

The Committee also considers external and internal audit reports and monitors all services provided by, and fees payable to, the external auditors to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained.

The Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. The Committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors.

PricewaterhouseCoopers LLP have been the Company's external auditors for a number of years. In order to ensure the independence and objectivity of the external auditors the Committee maintains and regularly reviews its 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, for example tax compliance work. A formal authorisation policy is in place for the provision of non audit services to ensure that appropriate pre-approval is obtained as necessary. The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor. To ensure compliance with this policy the Audit Committee carried out a review during the year of the remuneration received by PricewaterhouseCoopers LLP for audit services, audit-related services and non audit work. 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.

As part of its work, and in line with its terms of reference, the Committee particularly 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.

Meetings during year ended 30 September 2010

	Board	Audit Committee	Remuneration Committee	Nominations Committee
S.J. Pirie	8	3	4	-
Sir Richard Needham	8	3	4	-
D.R. Evans	8	3	4	-
P.C. Slabbert	8	3 *	4 *	-
A.G. Lewis	8	3 *	-	-

* Attendance by invitation

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

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

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

Relations with shareholders

The Directors regard communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware. In terms of published materials the Company issues a detailed annual report and accounts and, at the half year, an interim report. Further to the Transparency Directive, which has been implemented by the FSA through amendments to the Listing and Disclosure Rules, 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 other updates from its corporate advisers. Shareholders have the opportunity to ask questions at the annual general meeting and also have the opportunity to leave written questions for the responses 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. 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 3 March 2011, 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.

Accountability and audit

The Combined 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 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 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.

The Board believes it is appropriate that the internal audit process is undertaken by members of the finance team, who conduct financial reviews of each of the sites on a quarterly basis and through an annual site visit. In addition, site controllers and plant managers are obliged to positively confirm, on a bi-annual basis, that the controls as documented in the Internal Control Manual are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations. This process has been in place for the year under review and up to the date of approval of the annual report and financial statements. It has been reviewed by the Board and continues to be monitored by the Audit Committee. During the year, no significant failings or weaknesses were identified by the internal audit process.

Procedures are in place to identify any major business risks and to evaluate their potential impact on the Group. These risks are described within the Business Review on page 19.

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

The Board carried out quarterly reviews of the key risks facing the Group during the year, following the quarterly reviews conducted by the executive management team. In the year under review, the risk assessments carried out both at business level and at Board level continued to be reviewed and strengthened as part of the Board's ongoing response to the Turnbull Guidance.

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 our financial reporting processes to ensure that there is appropriate control and review of 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 our internal finance manual.

The Board has issued a Policy and Code on Business Conduct which reinforces the importance of the internal control framework within the Group. The Policy and Code includes a whistle-blowing procedure whereby individuals may raise concerns in matters of financial reporting or other matters directly with the Audit Committee which will ensure independent investigation and follow up action. The Policy and Code is reviewed annually. The latest version contains material designed to ensure compliance under the Bribery Act 2010.

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 22 and have been included by reference.

Going concern

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

Stella Pirie OBE
Chairman of the Audit Committee
24 November 2010

Remuneration Report

for the year ended 30 September 2010

Part 1 of this Report sets out the Company's remuneration policies for the Directors for the year ended 30 September 2010. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed appropriately. Part 2 sets out audited details of the remuneration received by Directors during the year ended 30 September 2010.

PART I. REMUNERATION POLICIES (NOT SUBJECT TO AUDIT)

EXECUTIVE DIRECTORS

Remuneration Committee

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

The Committee met four times during the year. The composition of the Committee has remained unchanged during the year and comprises Mr. D.R. Evans (Chairman), Sir Richard Needham and Mrs. S.J. Pirie. The Chief Executive, Mr. P.C. Slabbert and the Company Secretary, Mr. M. Ingrey-Counter, are invited to attend meetings except when matters relating to their own remuneration arrangements are discussed. The Committee also uses external independent professional advisers when needed. Last year an executive salary benchmarking report was commissioned from Ernst & Young LLP. KPMG is the Company's independent actuarial advisor on pension matters and will provide the Committee with information on executive pension arrangements when required. Hewitt New Bridge Street provide performance monitoring data for review by the Committee in relation to the Performance Share Plan.

Guiding policy

The Remuneration Committee's aim is to ensure that the structure of executive remuneration supports the achievement of the Company's performance objectives and, in turn, increases shareholder value. The Remuneration Committee reviews executive remuneration arrangements regularly to ensure that they remain effective, competitive and appropriate to the Group's circumstances and prospects, and monitors incentive award levels and consequent company liabilities.

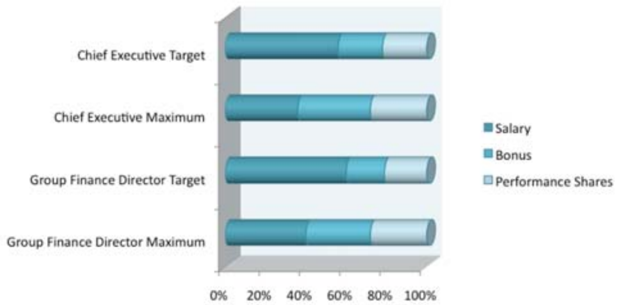
The Company's guiding policy on executive remuneration is that:

- executive remuneration packages should take into account the linkage between pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical success factor in the setting of incentives, both in the short and the long term; and
- the overall level of salary, incentives, pension and other benefits should be competitive when compared with other companies of a similar size and global spread.

Remuneration elements

Executive remuneration comprises four elements: annual salary; short-term bonus; longer-term performance shares and other benefits (including pension). In line with the Company's emphasis on performance-related pay, bonus payments are dependent on the Company's annual financial performance, while the receipt of performance shares is dependent on enhanced relative returns to shareholders over a three-year period. The following table illustrates the proportion of variable pay to base salary for the Chief Executive and the Group Finance Director for 2010/11, assuming target or maximum performance related pay.

Proportion of performance related pay to salary:



Salary

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

The annual base salary as at 30 September 2010 for Mr. P.C.Slabbert is £220,000 and for Mr. A.G.Lewis is £148,000.

Annual bonus

The executives' annual bonus arrangements are focused on the achievement of the Company's short-term financial objectives. Before the start of each year, the Remuneration Committee sets financial performance targets for the year. These are designed to be stretching and for the bonus for 2010/11 will be based on the following:

- Group PBIT budget achievement (30%).
- Year on year PBITE growth (30%).
- The ratio of Group operating cashflow to Group operating profit (30%).
- Achievement of personal performance targets (10%).

The maximum bonus potential for 2010/11 under these arrangements is 80% of salary for the Chief Executive and 70% of salary for the Group Finance Director. Bonus payments are not pensionable.

Profit Incentive Bonus Scheme (PIBS)

The Profit Incentive Bonus Scheme was introduced in 2009 as a short-term measure to focus the attention of senior managers on the immediate objective of improving the Company's profitability. Performance is measured quarterly against a Group budgeted profit figure. When this is equalled or exceeded, participants receive $5,000. The maximum annual bonus amount is $20,000. In 2010 the Remuneration Committee approved the continuation of the scheme for senior managers, but not for the eight members of the Group Executive team, which includes the Chief Executive and the Group Finance Director. The scheme was cancelled for the 2010/11 financial year.

Performance Share Plan (PSP)

The Remuneration Committee introduced this Plan with shareholder approval at the AGM in 2002 and in 2010 shareholders approved a replacement. The existing Plan therefore came into effect from 2 March 2010, with the aim of motivating Executive Directors and other senior executives to achieve performance superior to the Company's peers and to deliver sustainable improvement in shareholder returns. This is reflected in the Plan's performance condition which takes the total return received by the Company's shareholders in terms of share price growth and dividends (total shareholder return or 'TSR') over a period of time and compares it with the total returns received by shareholders in companies within a predetermined and appropriate comparator group.

Under the Plan, Executive Directors and a limited number of other senior executives receive conditional share awards (which may be in the form of nil-cost options) in respect of the Company's shares. The actual number of shares that each participant receives depends on the Company's TSR performance over a three-year period compared to the TSR performance within a comparator group comprising the FTSE Small Cap index, excluding investment trusts. Over a 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, 40% 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 same measures are used for the 2010 Plan. In addition, the Committee may reduce the number of shares which will vest or decide that no shares will vest if it considers that the financial performance of the Company or the performance of the participant does not justify vesting.

The maximum value that can be granted under the Plan in any year is 100% of salary. It is the Remuneration Committee's current intention that, as before, only the Chief Executive should receive the maximum conditional grant, with the Group Finance Director receiving 80% of salary.

As announced to shareholders in January 2009, the 2008/9 conditional awards were made following the surrender of 2006/2007 and 2007/2008 awards totalling 386,801 shares previously granted under the Plan. At the time the Committee confirmed that it believed the surrender and grant aligned Executive Director and other recipients' interests with those of shareholders and the Committee remains of this view. As announced to shareholders in March 2010, following approval of the 2010 Plan at the annual general meeting on 2 March 2010, joint ownership awards, nil cost options and conditional awards of shares were granted under the 2010 Plan to the Executive Directors and members of the Group executive team

The Committee determined in October 2010 that the 2007/8 award, of which a limited number of awards were still outstanding in the hands of two ex-employees, did not vest.

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.

Shareholding guidelines

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

Dilution

The Company reviews the awards of shares made under the various all-employee and executive share plans in terms of their effect on dilution limits. In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 5.81% and 7.94% respectively based on the issued share capital at 30 September 2010. Under the 2010 Plan the 5% limit was increased to 10%. It has been the Company's practice to use an Employee Share Ownership Trust in order to meet its liability for shares awarded under the Performance Share Plan. In March 2010 a second Employee Share Ownership Trust was established in connection with the new jointly owned equity awards. At 30 September 2010 there were 2,437,681 shares held in the two Employee Share Ownership Trusts which will either be used to satisfy awards granted under the Plan to date, or in connection with awards to be made under the 2010 Plan. A Hedging Committee ensures that the Employee Share Ownership Trusts hold sufficient shares to satisfy existing and any future awards made under the Plan by buying shares in the market or causing the Company to issue new shares. During September 2010 the Avon Rubber plc Employee Share Ownership Trust No. 1 purchased 175,000 shares in the market and received a further 1,582,611 shares by way of an issue of new shares. As at 30 September 2010 the two Employee Share Ownership Trusts held a total of 2,437,681 shares, 563,390 on a jointly owned equity basis.

Pensions and other benefits

The current Executive Directors (Mr. P.C. Slabbert and Mr. A.G. Lewis) are both based in the UK and are members of the Avon Rubber Retirement and Death Benefits Plan. Until 30 September 2009, when the final salary section of the Plan closed to future accrual of benefits, Mr. Slabbert was a member of the Senior Executive Section which provided members with a defined level of benefit on retirement depending on length of service and earnings. Members can receive a pension of up to two-thirds of pensionable salary on retirement from age 60, provided the minimum service requirement of 20 years has been met. On death in service, a lump sum of four times pensionable salary is paid, along with a spouses' pension of one half of the member's prospective pension. When an Executive Director dies after retirement, a spouse's pension of one half of the member's pension is paid. For the year to 30 September 2010 Mr. Slabbert has been a member of the money purchase section of the Plan.

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

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

Executive Directors' basic salaries are the only pensionable element of their remuneration packages. Executive Directors are entitled to participate in employee healthcare plans and to receive a car allowance and related expenses.

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

Contracts

The Company's policy is that Executive Directors should normally be employed on a contract which may be terminated either by the Company or the Executive Director giving 12 months notice and which otherwise expires on retirement, currently at age 60 for Mr. Slabbert and age 65 for Mr. Lewis. The Company may terminate the contract early without cause by making a payment in lieu of notice by monthly instalments of salary and benefits to a maximum of 12 months, with reductions for any amounts received from providing services to others during this period.

The Remuneration Committee may vary these terms if the particular circumstances surrounding the appointment of a new Executive Director demand it. The Remuneration Committee strongly endorses the obligation on an Executive Director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded. The Executive Directors' contracts contain early termination provisions consistent with the policy outlined above.

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

	Contract date	Years to expected retirement	Company notice period	Executive notice period
P.C. Slabbert	28 September 2009	12	12 months	12 months
A.G. Lewis	28 September 2009	26	12 months	12 months

Remuneration Report continued

for the year ended 30 September 2010

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and Non-Executive Directors receive a fixed fee for their services. Fee levels are determined by the Board in light of market research and advice provided by Hanson Green, which also provides services in connection with the proposed recruitment of new Non-Executive Directors. Fee levels are reviewed from time to time. The Chairman and the Non-Executive Directors do not participate in any Board discussions or vote on their own remuneration, nor do they participate in any incentive or benefit plans.

The Chairman and the Non-Executive Directors each have a letter of appointment which specifies an initial period of appointment. The initial period for Mrs. Pirie was three years and this was extended for a further three years on 1 March 2008. Sir Richard Needham's initial period of three years expired on 26 January 2010 and was extended on a rolling annual basis. The initial period for Mr. Evans was also three years and this was extended on a rolling annual basis on 31 May 2010.

Chairman and Non-Executive Director appointments are subject to Board approval and election by shareholders at the annual general meeting following appointment and, thereafter, re-election by rotation every three years. The Chairman and any Non-Executive Director who has served for more than nine years since first election are subject to annual re-election by shareholders. There are no provisions for compensation payments on early termination in the Chairman's and the Non-Executive Directors' letters of appointment. The date of each appointment is set out below, together with the date of their last re-election.

	Date of initial appointment	Date of re-election
The Rt. Hon. Sir Richard Needham	26 January 2007	2 March 2010
D.R. Evans	1 June 2007	23 January 2008
S.J. Pirie OBE	1 March 2005	21 January 2009

Directors' interests

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

	At the end of the year	At the beginning of the year
The Rt. Hon. Sir Richard Needham	98,046	56,246
S.J. Pirie OBE	82,000	44,000
D.R. Evans	40,000	40,000
P.C. Slabbert	22,833	22,833
A.G. Lewis	-	-

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

PART 2. DETAILS OF REMUNERATION (AUDITABLE INFORMATION)

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

Directors' emoluments

	Basic salary and fees £000	Other benefits* £000	Annual bonus** £000	PIBS £000	**Total 2010 £000**	Total 2009 £000
Directors holding office throughout 2009 and 2010						
The Rt. Hon. Sir Richard Needham (Chairman)	70				**70**	70
D.R. Evans (Non-Executive)	44				**44**	40
A.G. Lewis	145	15	87		**247**	218
S.J. Pirie OBE (Non-Executive)	44				**44**	40
P.C. Slabbert (highest paid Director)	220	17	158		**395**	366
Total 2010	523	32	245	-	**800**	
Total 2009	501	32	181	20		734

*Other benefits are described in part 1 on page 39.
**The Remuneration Committee determined at its meeting on 23 November 2010 that the criteria for making an award under the annual bonus scheme had been met. The sums referred to represent 90% of the maximum potential entitlement.
No Director waived emoluments in respect of the year ended 30 September 2010 (2009: nil).

Executive Directors' pensions

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

	P.C. Slabbert
Additional accured pension earned in year (including inflation)	-
Accrued pension as at 30 September 2010	60,721
Transfer value as at 30 September 2010	831,923
Transfer value as at 30 September 2009	756,064
Increase in transfer value	75,859
Increase in transfer value less directors contributions	75,859
Additional accrued pension earned in year (excluding inflation of 5.0%)	-
Transfer value of increase in accrued pension (net of directors' contributions)	-

The age at which Mr. P.C. Slabbert may take his pension unreduced has been reduced by 5/8ths of a year over the year to 30 September 2010.

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 £33,000, of which £5,500 were to the money purchase section of the plan and £27,500 to personal pension arrangements.

In respect of Mr. A.G. Lewis, company contributions to the money purchase section of the plan were £21,713.

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

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

The accrued entitlement shown is the amount that would be paid each year at normal retirement age, based on service to the end of the current year. The accrued lump sum, under the defined benefit scheme, for Mr Slabbert at 30 September 2010 was £281,400 (2009: £281,400).

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

For grants of options or conditional awards made to date pursuant to the 2002 Scheme, and grants of joint ownership awards, options or conditional awards made to date pursuant to the 2010 Scheme, the performance conditions have been based on the Company's TSR relative to the TSR of a comparator group, comprising the FTSE Small Cap companies (excluding investment trusts).

A list of the number of shares under option granted at nil cost, to Executive Directors and senior employees, prior to 30 September 2010 including following approval of the 2010 Scheme by shareholders is set out below:

2010	Granted 2006/7 (for the qualifying period ending 30 Sept 2009)*	Granted 2007/8 (for the qualifying period ending 30 Sept 2010)**	Granted 2008/9 (for the qualifying period ending 30 Sept 2011)***	Total option awards outstanding at 30 Sept 2009	Granted 2009/10 (for the qualifying period ending 30 Sept 2012)	Lapsed during the year	**Awards outstanding at 30 Sept 2010**
P.C. Slabbert	-	-	460,714	460,714	230,126	-	**690,840**
A.G. Lewis	-	-	222,857	222,857	112,971	-	**335,828**
Former Directors****	73,683	26,302	-	99,985	-	(73,683)	**26,302**
Other senior employees*****	-	27,223	541,776	568,999	336,973	-	**905,972**
	73,683	53,525	1,225,347	1,352,555	680,070	(73,683)	**1,958,942**

2009	Granted 2005/6 (for the qualifying period ending 30 Sept 2008)*	Granted 2006/7 (for the qualifying period ending 30 Sept 2009)*	Granted 2007/8 (for the qualifying period ending 30 Sept 2010)**	Total option awards outstanding at 30 Sept 2008	Granted 2008/9 (for the qualifying period ending 30 Sept 2011)***	Lapsed during the year	Awards outstanding at 30 Sept 2009
P.C. Slabbert	55,652	66,494	130,067	252,213	460,714	(252,213)	460,714
A.G. Lewis	-	-	-	-	222,857	-	222,857
Former Directors****	99,939	73,683	26,302	199,924	-	(99,939)	99,985
Other senior employees*****	51,942	46,754	170,710	269,406	541,776	(242,183)	568,999
	207,533	186,931	327,079	721,543	1,225,347	(594,335)	1,352,555

The weighted average remaining life of the awards outstanding at the year end is 1.4 years (2009: 1.8 years).

* As explained in last year's report the awards granted under the 2005/6 and the 2006/7 cycle did not vest.

** The Remuneration Committee determined on 29 October 2010 that the 2007/8 awards did not vest.

*** These awards were reduced to 69% of entitlement to remain within the 5% dilution limit previously contained in the Plan rules.

**** This includes awards granted to Mr. T.K.P. Stead (stood down 21 April 2008, resigned as a Director on 8 September 2008 and retired on 15 May 2009). All these awards were pro-rated and did not vest as described above.

***** This figure includes 878,749 in respect of key management as defined in note 9 of the financial statements.

The market price at the award date for the 2009/10 award was 81.5 pence, for the 2008/9 award it was 32.2 pence, for the 2007/8 award it was 165.0 pence, for the 2006/7 award it was 154.0 pence and for the 2005/6 award it was 172.5 pence.

Sharesave option schemes

As at 30 September 2010 none of the Directors had outstanding options relating to sharesave option schemes. Other employees held options over 4,341 ordinary shares (2009: 46,252), exercisable at an option price of £1.72 which expired in November 2010. All options were over ordinary shares of £1 each.

As at 30 September 2010, the market price of Avon Rubber p.l.c. shares was £1.65 (2010: £0.79). During the year the highest and lowest market prices were £1.65 and £0.765 respectively.

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

David Evans
Chairman of the Renumeration Committee
24 November 2010

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Revenue	1	**117,574**	100,900
Cost of sales		**(89,256)**	(76,524)
Gross profit		**28,318**	24,376
Distribution costs		**(4,527)**	(4,795)
Administrative expenses		**(14,536)**	(16,607)
Operating profit	1	**9,255**	2,974
Operating profit is analysed as:			
Before depreciation, amortisation and exceptional items		**13,577**	9,660
Depreciation and amortisation	11,12	**(4,322)**	(4,151)
Operating profit before exceptional items		**9,255**	5,509
Exceptional operating items	3	**-**	(2,535)
Finance income	4	**16**	33
Finance costs	4	**(985)**	(1,539)
Other finance (expense)/income	4	**(1,152)**	394
Profit before taxation	5	**7,134**	1,862
Taxation	6	**(2,808)**	(2,004)
Profit/(loss) for the year		**4,326**	(142)
Other comprehensive income			
Actuarial gain/(loss) recognised in retirement benefit schemes	10	**2,315**	(53,051)
Movement on deferred tax relating to retirement benefit schemes		**-**	12,158
Net exchange differences offset in reserves		**28**	1,049
Other comprehensive income/(expense) for the year, net of taxation		**2,343**	(39,844)
Total comprehensive income/(expense) for the year		**6,669**	(39,986)
Profit/(loss) attributable to:			
Owners of the parent		**4,326**	(183)
Non-controlling interest		**-**	41
		4,326	(142)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**6,669**	(40,027)
Non-controlling interest		**-**	41
		6,669	(39,986)
Earnings/(loss) per share	8		
Basic		**15.2p**	(0.6)p
Diluted		**14.4p**	(0.6)p

Consolidated Balance Sheet

at 30 September 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Intangible assets	11	**8,794**	9,936
Property, plant and equipment	12	**16,968**	15,263
		25,762	25,199
Current assets			
Inventories	13	**11,525**	9,528
Trade and other receivables	14	**14,540**	12,614
Derivative financial instruments	19	**113**	-
Cash and cash equivalents	15	**577**	1,041
		26,755	23,183
Assets classified as held for sale		**-**	4,914
		26,755	28,097
Liabilities			
Current liabilities			
Borrowings	17	**-**	14,697
Trade and other payables	16	**15,664**	16,196
Provisions for liabilities and charges	18	**1,622**	2,578
Current tax liabilities		**886**	673
		18,172	34,144
Liabilities directly associated with assets classified as held for sale		**-**	1,832
		18,172	35,976
Net current assets/(liabilities)		**8,583**	(7,879)
Non-current liabilities			
Borrowings	17	**13,166**	-
Deferred tax liabilities	6	**2,517**	1,833
Retirement benefit obligations	10	**7,134**	9,152
Provisions for liabilities and charges	18	**2,751**	4,071
		25,568	15,056
Net assets		**8,777**	2,264
Shareholder equity			
Ordinary shares	20	**30,723**	29,141
Share premium account		**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**7**	(21)
Accumulated losses		**(57,161)**	(62,103)
Equity shareholders' funds		**8,777**	2,225
Non-controlling interest in equity		**-**	39
Total equity		**8,777**	2,264

These financial statements were approved by the Board on 24 November 2010 and were signed on its behalf by:

Peter Slabbert

Andrew Lewis

Consolidated Cash Flow Statement

for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from continuing operating activities prior to the effect of exceptional items		**13,105**	7,449
Cash effect of exceptional items	21	**(1,186)**	(1,688)
Cash generated from continuing operations	21	**11,919**	5,761
Cash used in discontinued operations	21	**(2,052)**	(2,614)
Cash generated from operations	21	**9,867**	3,147
Finance income received		**16**	33
Finance costs paid		**(768)**	(1,582)
Tax paid		**(1,787)**	(282)
Net cash generated from operating activities		**7,328**	1,316
Cash flows from investing activities			
Proceeds from sale of operations		**-**	2,050
Acquisition of subsidiaries – deferred consideration		**(1,291)**	-
Proceeds from sale of property, plant and equipment		**1,668**	4,798
Purchase of property, plant and equipment		**(5,384)**	(2,684)
Purchase of intangible assets		**(645)**	(884)
Net cash (used in)/generated from investing activities		**(5,652)**	3,280
Cash flows from financing activities			
Net movements in loans		**612**	(6,005)
Dividends paid to non-controlling interest		**(298)**	(283)
Purchase of own shares		**(267)**	-
Net cash generated from/(used in) financing activities		**47**	(6,288)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**1,723**	(1,692)
Cash, cash equivalents and bank overdrafts at beginning of the year		**(1,090)**	414
Effects of exchange rate changes		**(56)**	188
Cash, cash equivalents and bank overdrafts at end of the year	22	**577**	(1,090)

Consolidated Statement of Changes in Equity

for the year ended 30 September 2010

	Note	Share Capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Equity shareholders' funds £'000	Non-controlling interest in equity £'000	Total £'000
As 1 October 2008		29,141	34,708	(570)	(21,175)	42,104	563	42,667
(Loss)/profit for the year		-	-	-	(183)	(183)	41	(142)
Unrealised exchange differences on overseas investments		-	-	1,049	-	1,049	-	1,049
Actuarial loss recognised in retirement scheme	10	-	-	-	(53,051)	(53,051)	-	(53,051)
Movement on deferred tax relating to retirement benefit obligations	10	-	-	-	12,158	12,158	-	12,158
Total comprehensive income/(expense) for the year		-	-	1,049	(41,076)	(40,027)	41	(39,986)
Dividend approved in general meeting		-	-	-	-	-	(565)	(565)
Movement in respect of employee share scheme	24	-	-	-	148	148	-	148
At 30 September 2009		29,141	34,708	479	(62,103)	2,225	39	2,264
Profit for the year		**-**	**-**	**-**	**4,326**	**4,326**	**-**	**4,326**
Unrealised exchange differences on overseas investments		**-**	**-**	**28**	**-**	**28**	**-**	**28**
Actuarial gain recognised in retirement scheme	10	**-**	**-**	**-**	**2,315**	**2,315**	**-**	**2,315**
Total comprehensive income for the year		**-**	-	**28**	**6,641**	**6,669**	**-**	**6,669**
New shares issued	20	**1,582**	**-**	**-**	**-**	**1,582**	**-**	**1,582**
Dividend approved in general meeting		**-**	**-**	**-**	**-**	**-**	**(39)**	**(39)**
Purchase of shares by the employee benefit trust		**-**	**-**	**-**	**(1,849)**	**(1,849)**	**-**	**(1,849)**
Movement in respect of employee share schemes	24	**-**	**-**	**-**	**150**	**150**	**-**	**150**
At 30 September 2010		**30,723**	**34,708**	**507**	**(57,161)**	**8,777**	**-**	**8,777**

Other reserves consist of the Capital redemption reserve of £500,000 (2009: £500,000) and the translation reserve of £7,000 (2009: £21,000 debit). All movement in other reserves relate to the translation reserve.

Accounting Policies and Critical Accounting Judgements

for the year ended 30 September 2010

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 under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit and 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.

Restatement of comparatives

The 30 September 2009 Consolidated Statement of Comprehensive Income and Consolidated Cash Flow statement have been restated to reflect the Avon Engineered Fabrications business as continuing operations as the divestment process was terminated during 2010.

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 2010

The following standards, amendments and interpretations have been adopted for the year ended 30 September 2010:

- Amendments to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- IAS 1 Presentation of Financial Statements (revised 2007)
- IAS 23 Borrowing Costs (revised 2007)
- IFRIC 16 Hedges of Net Investment in Foreign Operations

As a result of the adoption of IAS 1 the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The adoption of IFRS2, IAS 23 and IFRIC 16 have not had a material impact on the financial statements in the year.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 October 2009 but are not relevant to the Group's operations, or have no significant impact:

- IFRS 1 (revised) First-time Adoption of International Financial Reporting Standards and IAS 27 (revised) Consolidated and separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 15 Agreements for the Construction of Real Estate
- Embedded Derivatives – Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 18 Transfer of Assets from Customers
- IFRS 3 Business Combinations (revised 2008)
- Amendments to IAS 39 – Eligible Hedged Items
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sales and Discontinued Operations

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2009 and have not been adopted early:

- Amendments to IFRS 2 Share-based Payment – Group Cash settled Share-based Payment Transactions
- Amendments to IAS 32 Financial Instruments: presentation – Classification of Rights Issues
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

- IAS 24 Related Party Disclosures (revised 2009)
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
- IFRS 9 Financial Instruments

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

Foreign currencies

The Group's presentational currency is sterling. The results and financial 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;
- income and expenses are translated at average rates and all resulting exchange differences are recognised as a separate component of equity.

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

Segmental 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 Board of Directors and 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, excluding the effect of exceptional items. Central overheads, finance income and expense and taxation are not allocated to the business segments.

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur, as part of other comprehensive income. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. The scheme is now closed to new entrants and was closed to future accrual of benefit from 1 October 2009.

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

The balance sheet includes post retirement obligations in respect of overseas subsidiaries where deferred arrangements are adopted to provide post retirement benefits.

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 serviced 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-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, 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.

Exceptional items

The Directors consider that items of income or expense which are material or non-recurring by virtue of their nature or amount should be disclosed separately if the financial statements are to fairly present the financial position and financial performance of the Group. The Directors label these items collectively as "exceptional items".

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

In accordance with IAS 38 "Intangible Assets", expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility, is capitalised and amortised over the expected useful life of the development. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the year sales of the product are first made. Development costs capitalised are tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the consolidated statement of comprehensive income. Subsequent reversals of impairment losses for research and development are not recognised.

Computer software

Computer software costs are included in intangible assets and amortised over their estimated lives.

Property plant and equipment

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

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

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

In general, the rates used are:

- Freehold – 2%.
- Short leasehold property – over the period of the lease.
- Plant and machinery – 6% to 50%.

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

An asset's carrying amount is written down immediately to its recoverable amount if it's 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 income statement.

Fixed asset investments

For investments in joint ventures, the Group's share of the aggregate gross assets and liabilities of the investment is included in the balance sheet and the Group's share of the profit or loss of the joint venture is included in the income statement.

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 income statement 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 income statement 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 stated at cost after deducting provisions for impairment of receivables.

Cash and 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.

Provisions

Provisions are recognised when:

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

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

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

Assets held for sale

Assets and associated liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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, substantially 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 substantially 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 income statement, except where it relates to items recognised in equity, in which case it is dealt with in equity.

Management periodically evaluates positions taken in tax returns where the applicable tax regulation is subject to interpretaion. The Group establishes provisions on the basis of amounts expected to be paid to the 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.

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

The pension cost under IAS 19 is assessed in accordance with the advice of an independent qualified actuary based on the latest actuarial valuation and assumptions determined by the actuary. The assumptions are based on information supplied to the actuary by the Group, supplemented by discussions between the actuary and management. The assumptions are disclosed in note 10 of the financial statements.

Impairment of receivables

At each balance sheet date, each subsidiary evaluates the collectability of trade receivables and records provisions for impairment of receivables based on experience including, for example, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, which could impact on operating results positively or negatively.

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 claims, and onerous contractual obligations and warranties based on the judgement of management taking into account the nature of the claim/contractual obligation, the range of possible outcomes and the defences open to the Group.

Notes to the Group Financial Statements

for the year ended 30 September 2010

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 Board of Directors and the Group Executive team.

The Group has two clearly defined business segments, Protection & Defence and Dairy, and operates out of the UK and the USA.

Business segments

year ended 30 September 2010

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	90,167	27,407		117,574
Segment result before depreciation and amortisation	10,414	5,023	(1,860)	13,577
Depreciation of property, plant and equipment	(2,017)	(377)	(28)	(2,422)
Amortisation of intangibles	(1,882)	(9)	(9)	(1,900)
Segment result	6,515	4,637	(1,897)	9,255
Finance income			16	16
Finance cost			(985)	(985)
Other finance expense			(1,152)	(1,152)
Profit before taxation	6,515	4,637	(4,018)	7,134
Taxation			(2,808)	(2,808)
Profit for the year	6,515	4,637	(6,826)	4,326
Profit attributable to non-controlling interest				-
Profit attributable to equity shareholders				4,326
				4,326
Segment assets	42,673	7,185	2,659	52,517
Segment liabilities	10,176	2,673	30,891	43,740
Other segment items				
Capital expenditure				
- intangible assets	639	6	-	645
- property, plant and equipment	4,387	489	58	4,934

The Protection & Defence segment includes £44.9m (2009: £47.9m) 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 2009

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	76,107	24,793		100,900
Segment result before depreciation, amortisation and exceptional items	7,939	3,490	(1,769)	9,660
Depreciation of property, plant and equipment	(1,732)	(467)	(167)	(2,366)
Amortisation of intangibles	(1,758)	(3)	(24)	(1,785)
Segment result before exceptional items	4,449	3,020	(1,960)	5,509
Exceptional items	-	(2,535)	-	(2,535)
Segment result after exceptional operating items	4,449	485	(1,960)	2,974
Finance income			33	33
Finance costs			(1,539)	(1,539)
Other finance expenses			394	394
Profit before taxation	4,449	485	(3,072)	1,862
Taxation			(2,004)	(2,004)
Profit/(loss) for the year	4,449	485	(5,076)	(142)
Profit attributable to non-controlling interest				41
Loss attributable to equity shareholders				(183)
				(142)
Segment assets	44,603	6,715	2,249	53,567
Segment liabilities	12,526	6,034	32,743	51,303
Other segment items				
Capital expenditure				
- intangible assets	846	21	-	867
- property, plant and equipment	2,544	412	82	3,038

1 SEGMENT INFORMATION (CONTINUED)

Geographical segments by origin

year ended 30 September 2010

	UK £'000	USA £'000	Group £'000
Revenue	**15,141**	**102,433**	**117,574**
Segment assets	**11,510**	**41,007**	**52,517**
Capital expenditure - property, plant and equipment	**461**	**4,473**	**4,934**
- intangible assets	**175**	**470**	**645**

year ended 30 September 2009

	UK £'000	USA £'000	Group £'000
Revenue	12,495	88,405	100,900
Segment assets	10,072	43,495	53,567
Capital expenditure - property, plant and equipment	459	2,579	3,038
- intangible assets	357	510	867

2 EXPENSES BY NATURE

	2010 £'000	2009 £'000
Changes in inventories of finished goods and work in progress	**1,008**	597
Raw materials and consumables used	**62,947**	50,271
Employee benefit expense	**28,698**	30,246
Depreciation and amortisation charges	**4,322**	4,151
Transportation expenses	**1,430**	1,058
Operating lease payments	**1,853**	1,777
Travelling costs	**1,947**	1,549
Legal and professional fees	**1,726**	1,132
Other expenses	**4,388**	4,610
Exceptional items	**-**	2,535
Total cost of sales, distribution costs and administrative expenses	**108,319**	97,926

3 EXCEPTIONAL OPERATING ITEMS

The exceptional operating items comprise:

	2010 £'000	2009 £'000
Relocation of European Dairy production to the Czech Republic	-	(5,557)
Profit on sale and leaseback of freehold property	-	3,022
Exceptional operating items	-	(2,535)

In the consolidated statement of comprehensive income, the exceptional items are included within administrative expenses.

4 FINANCE INCOME AND COSTS

	2010 £'000	2009 £'000
Interest payable on bank loans and overdrafts	**(932)**	(1,433)
Other finance costs	**(53)**	(106)
Total finance costs	**(985)**	(1,539)
Finance income	**16**	33
	(969)	(1,506)

Other finance (expense)/income

	2010 £'000	2009 £'000
Interest cost: UK defined benefit pension scheme	**(13,937)**	(14,592)
Expected return on plan assets: UK defined benefit pension scheme	**13,242**	15,020
Other finance cost: USA post retirement scheme	**(16)**	(34)
Provisions: Unwinding of discount	**(441)**	-
	(1,152)	394

5 PROFIT BEFORE TAXATION

	2010 £'000	2009 £'000
Profit before taxation is shown after crediting:		
Rent receivable	**104**	79
Gain on foreign exchange	**119**	10
Profit on disposal of property, plant and equipment	**1**	2,088
and after charging:		
Employee benefits	**28,548**	30,098
Charge relating to employee share schemes	**150**	148
Depreciation on property, plant and equipment		
– owned assets	**2,422**	2,365
– leased assets	**-**	1
Repairs and maintenance of property, plant and equipment	**247**	623
Amortisation of intangibles	**1,900**	1,785
Research and development	**484**	413
Impairment of inventories	**239**	246
Impairment of trade receivables	**65**	127
Operating leases		
– plant and machinery	**139**	133
– property	**1,714**	1,644
Services provided to the Group (including its overseas subsidiaries) by the Group's auditors		
Audit fees in respect of the audit of the accounts of the parent company and consolidation	**35**	50
Audit fees in respect of the audit of the accounts of subsidiaries of the company	**90**	87
	125	137
Other services relating to taxation	**133**	98
Other business advisory services	**-**	70
Total fees	**258**	305

6 TAXATION

	2010 £'000	2009 £'000
Overseas current tax	**2,031**	1,197
Overseas adjustment in respect of previous periods	**11**	(193)
Deferred tax – current year	**777**	78
Deferred tax – adjustment in respect of previous periods	**(11)**	922
Tax charge	**2,808**	2,004

In addition to the total tax charged against profit, a deferred tax credit of £12,158,000 was recognised directly in equity in 2009.

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

	2010 £'000	2009 £'000
Profit before taxation	**7,134**	1,862
Profit before taxation at the standard rate of 28% (2009: 28%)	**1,998**	521
Permanent differences	**12**	(658)
Temporary differences for which no deferred taxation asset was recognised	**478**	997
Adjustments to taxation charge in respect of previous periods	**-**	729
Difference in overseas tax rates	**320**	415
Tax charge	**2,808**	2,004

6 TAXATION (CONTINUED)

Deferred tax liabilities	Retirement benefit obligations £'000	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 30 September 2008	12,158	-	866	13,024
Charged/(credited) against profit	-	1,257	(257)	1,000
Credited to other comprehensive income	(12,158)	-	-	(12,158)
Reclassified as assets held for sale	-	-	1	1
Exchange differences	-	(34)	-	(34)
At 30 September 2009	-	1,223	610	1,833
(Credited)/charged against profit	-	**(304)**	**1,070**	**766**
Reclassified as assets held for sale	-	**-**	**(34)**	**(34)**
Exchange differences	-	**(48)**	**-**	**(48)**
At 30 September 2010	-	**871**	**1,646**	**2,517**

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

	2010 £'000	2009 £'000
Losses	**(6,529)**	(8,526)
Accelerated capital allowances	**(1,753)**	(1,909)
Retirement benefit obligations	**(1,695)**	(2,345)
Other	**(1,248)**	(1,778)
	(11,225)	(14,558)

The standard rate of UK corporation tax will change from 28% to 27% from 1 April 2011. As at 30 September 2010 this change was substantively enacted and so the unprovided deferred tax assets above have been calculated using the new rate of 27%. The effect of this on the opening total unprovided deferred tax asset was a reduction of £520,000. If enacted, further reductions in the UK corporation tax rate from 27% to 24% in future years could reduce the unprovided deferred tax asset by a further £1,560,000.

7 DIVIDENDS

No dividends were declared in respect of the 2009 financial year and the Board announced in May 2010 that there would be no interim dividend in 2010.

After the balance sheet date the Board of Directors proposed a final dividend of 1.5p per qualifying ordinary share, which will absorb an estimated £430,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 8 April 2011 to shareholders on the register at the close of business on 11 March 2011. In accordance with accounting standards the dividend has not been provided for and there are no corporation tax consequences.

8 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) 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 Sharesave Option Scheme and the Performance Share Plan (see page 37). Adjusted earnings per share adds back to profit the effect of exceptional items and the amortisation of intangible assets.

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

	2010	2009
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**28,460**	28,474
Weighted average potentially dilutive shares (thousands)	**1,659**	972
Fully diluted number of ordinary shares (thousands)	**30,119**	29,446

	2010 £'000	**2010 Basic eps pence**	**2010 Diluted eps pence**	2009 £'000	2009 Basic eps pence	2009 Diluted eps pence
Profit/(loss) attributable to equity shareholders of the Company	**4,326**	**15.2**	**14.4**	(183)	(0.6)	(0.6)
Exceptional items	**-**			2,535		
Profit excluding exceptional items	**4,326**	**15.2**	**14.4**	2,352	8.3	8.0
Amortisation of intangible assets	**1,900**			1,785		
Profit excluding exceptional items and amortisation of intangible assets	**6,226**	**21.9**	**20.7**	4,137	14.5	14.0

9 EMPLOYEES

The total remuneration and associated costs during the year were:

	2010 £'000	2009 £'000
Wages and salaries	**22,550**	23,117
Social security costs	**1,925**	1,863
Other pension costs	**1,103**	1,163
USA healthcare costs	**2,970**	3,955
Share award costs	**150**	148
	28,698	30,246

Detailed disclosures of Directors' remuneration and share options are given on pages 36 to 43.

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

	2010 Number	2009 Number
By business segment		
Protection & Defence	**549**	513
Dairy	**161**	221
Other	**9**	12
Total	**719**	746

At the end of the financial year the total number of employees in the Group was 771 (2009: 686).

Key management compensation	2010 £'000	2009 £'000
Salaries and other employee benefits	**1,501**	1,596
Post employment benefits	**93**	89
Compensation for loss of office	**-**	277
	1,594	1,962

No performance share plans vested during 2010 (2009:nil). The charge to the statement of comprehensive income in respect of share based payments attributed to key management was £149,000 (2009: £147,000).

The key management figures given above include the Executive Directors plus six (2009: eight) others who were members of the Group Executive during the year.

10 PENSIONS AND OTHER RETIREMENT BENEFITS

Retirement benefit liabilities can be analysed as follows:

	UK £'000	USA £'000	2010 Total £'000	2009 Total £'000
Pension liability	**(6,276)**	**(858)**	**(7,134)**	(9,249)
Deferred tax asset	**-**	**292**	**292**	305
Net pension liability	**(6,276)**	**(566)**	**(6,842)**	(8,944)

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

UK

The Group operates 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 January 2003. The scheme was closed to future accrual of benefit on 1 October 2009. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The trustee is Avon Rubber Pension Trust Limited, the directors of which are members of the plan. Four of the directors are appointed by the Company and two are elected 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 1 April 2009 when the market value of the plan's assets was £240.5 million. The actuarial value of those assets represented 91.4% of the value of the benefits which had accrued to members, after allowing for future increases in salaries.

During the year the Company made payments to the fund of £481,000 (2009: £485,000) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit plan agreed following the 31 March 2009 actuarial valuation, the Company will make deficit recovery payments in 2011 of £350,000 plus up to £400,000 contingent on any dividend payments made.

An updated actuarial valuation for IAS 19 purposes was carried out by an independent actuary at 30 September 2010 using the projected unit method.

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

	2010 % p.a.	2009 % p.a.
Inflation	**3.00**	3.00
Pension increase post August 2005	**2.10**	2.10
Pension increase April 1997 to August 2005	**2.90**	2.90
Pension increase pre April 1997	**2.90**	2.90
Discount rate for scheme liabilities	**5.10**	5.46

The scheme actuary estimates a 0.1% change in the discount rate would change the value of scheme liabilities by approximately 1.7% (2009: 1.7%).

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:

	2010	2009
Male	**20.8**	21.0
Female	**23.1**	24.0

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

	2010	2009
Male	**22.3**	23.0
Female	**24.4**	25.0

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

	Long-term rate of return expected at 30 Sept 2010 % p.a.	**Value at 30 Sept 2010 £'000**	Long-term rate of return expected at 30 Sept 2009 % p.a.	Value at 30 Sept 2009 £'000
Equities	**8.2**	**102,200**	8.4	101,032
Property	**7.3**	**4**	7.5	945
Liability driven investments	**3.7**	**140,743**	4.3	147,693
Other	**3.7**	**27,766**	4.3	3,738
Average expected long term rate of return/total fair value of assets	**5.60***	**270,713**	5.95*	253,408

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

* Avon Rubber employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan as at 30 September 2010, and adding an allowance for diversification and rebalancing bonus, and the long-term investment strategy.

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Reconciliation of funded status to balance sheet	Value at 30 Sept 2010 £'000	Value at 30 Sept 2009 £'000
Fair value of plan assets	**270,713**	253,408
Present value of funded defined benefit obligations	**(276,989)**	(261,785)
Liability recognised on the balance sheet	**(6,276)**	(8,377)

Amounts charged/(credited) to profit before taxation in respect of post retirement benefits	2010 £'000	2009 £'000
Current service cost	**-**	279
Curtailments	**-**	(300)
Interest cost	**13,937**	14,592
Expected return on plan assets	**(13,242)**	(15,020)
Total charged/(credited) to profit before taxation	**695**	(449)

Changes to the present value of the defined benefit obligation during the year	2010 £'000	2009 £'000
Opening defined benefit obligation	**261,785**	217,621
Current service cost	**-**	279
Interest cost	**13,937**	14,592
Contributions by plan participants	**-**	293
Actuarial losses on plan liabilities*	**16,381**	42,187
Net benefits paid out	**(15,114)**	(12,887)
Curtailments	**-**	(300)
Closing defined benefit obligation	**276,989**	261,785

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year	2010 £'000	2009 £'000
Opening fair value of plan assets	**253,408**	261,020
Expected return on plan assets	**13,242**	15,020
Actuarial gains/(losses) on plan assets	**18,696**	(10,864)
Contributions by the employer	**481**	826
Contributions by the plan participants	**-**	293
Net benefits paid out	**(15,114)**	(12,887)
Closing fair values of plan assets	**270,713**	253,408

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Actual return on plan assets

	2010 £'000	2009 £'000
Expected return on plan assets	**13,242**	15,020
Actuarial gain/(loss) on plan assets	**18,696**	(10,864)
Actual return on plan assets	**31,938**	4,156

Amounts recognised as other comprehensive income/(expenses)

	2010 £'000	2009 £'000
Total actuarial gains/(losses) recognised as other comprehensive income/(expense)	**2,315**	(53,051)
Cumulative amount of gains recognised as other comprehensive income	**3,802**	1,487

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of plan assets	**270,713**	253,408	261,020	251,770	249,689
Defined benefit obligation	**(276,989)**	(261,785)	(217,621)	(235,390)	(261,936)
(Deficit)/surplus in plan	**(6,276)**	(8,377)	43,399	16,380	(12,247)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Experience gains/(losses) on plan assets	**18,696**	(10,864)	3,949	(3,583)	6,487
Experience (losses)/gains on plan liabilities	**(6,189)**	(1,917)	(213)	(232)	12,072

In addition, commencing 1 February 2003, a defined contribution scheme was introduced for new employees within the UK. The cost to the Group in respect of this scheme for the year ended 30 September 2010 was £289,000 (2009: £102,000).

11 INTANGIBLE ASSETS

	Development expenditure £'000	Computer Software £'000	Total £'000
At 30 September 2008			
Cost	11,823	1,044	12,867
Accumulated amortisation and impairment	(2,421)	(897)	(3,318)
Net book amount	9,402	147	9,549
Year end 30 September 2009			
Opening net book amount	9,402	147	9,549
Exchange differences	1,312	20	1,332
Additions	783	61	844
Disposals	(10)	(9)	(19)
Amortisation	(1,699)	(71)	(1,770)
Closing net book amount	9,788	148	9,936
At 30 September 2009			
Cost	14,100	1,124	15,224
Accumulated amortisation and impairment	(4,312)	(976)	(5,288)
Net book amount	9,788	148	9,936
Year end 30 September 2010			
Opening net book amount	**9,788**	**148**	**9,936**
Exchange differences	**74**	**1**	**75**
Additions	**582**	**63**	**645**
Reclassification of assets previously shown as assets for sale	**41**	**9**	**50**
Disposals	**(12)**	**-**	**(12)**
Amortisation	**(1,825)**	**(75)**	**(1,900)**
Closing net book amount	**8,648**	**146**	**8,794**
At 30 September 2010			
Cost	**24,895**	**1,197**	**26,092**
Accumulated amortisation and impairment	**(16,247)**	**(1,051)**	**(17,298)**
Net book amount	**8,648**	**146**	**8,794**

Development expenditure is amortised over a period between 5 and 15 years.
Computer software is amortised over a period between 3 and 4 years.
The remaining useful economic life of the development expenditure is between 5 and 12 years.

12 PROPERTY, PLANT AND EQUIPMENT

	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 30 September 2008				
Cost	4,558	62	27,503	32,123
Accumulated depreciation and impairment	(1,748)	(9)	(14,875)	(16,632)
Net book amount	2,810	53	12,628	15,491
Year end 30 September 2009				
Opening net book amount	2,810	53	12,628	15,491
Exchange differences	568	9	1,277	1,854
Additions	53	-	2,711	2,764
Reclassifications	633	-	(633)	-
Disposals	(1,477)	-	(1,182)	(2,659)
Depreciation charge	(35)	(13)	(2,139)	(2,187)
Closing net book amount	2,552	49	12,662	15,263
At 30 September 2009				
Cost	3,300	72	28,159	31,531
Accumulated depreciation and impairment	(748)	(23)	(15,497)	(16,268)
Net book amount	2,552	49	12,662	15,263
Year end 30 September 2010				
Opening net book amount	**2,552**	**49**	**12,662**	**15,263**
Exchange differences	**15**	**1**	**90**	**106**
Additions	**125**	**53**	**4,756**	**4,934**
Reclassifications	**(507)**	**-**	**507**	**-**
Reclassification of assets previously shown as assets held for sale	**-**	**59**	**716**	**775**
Disposals	**(1,585)**	**-**	**(103)**	**(1,688)**
Depreciation charge	**(103)**	**(17)**	**(2,302)**	**(2,422)**
Closing net book value	**497**	**145**	**16,326**	**16,968**
At 30 September 2010				
Cost	**599**	**230**	**33,191**	**34,020**
Accumulated depreciation and impairment	**(102)**	**(85)**	**(16,865)**	**(17,052)**
Net book amount	**497**	**145**	**16,326**	**16,968**

13 INVENTORIES

	2010 £'000	2009 £'000
Raw materials	**6,825**	5,590
Work in progress	**1,541**	1,368
Finished goods	**3,159**	2,570
	11,525	9,528

The above numbers include provisions for inventory write downs of £1,468,000 (2009: £1,229,000).
The cost of inventories recognised as an expense and included in cost of sales amounted to £63,955,000 (2009: £50,868,000).

14 TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Trade receivables	**11,991**	9,758
Less: provision for impairment of receivables	**(305)**	(240)
Trade receivables – net	**11,686**	9,518
Prepayments	**1,570**	812
Other receivables	**1,284**	2,284
	14,540	12,614

Other receivables include £956,000 (2009: £1,268,000) in respect of rent deposits relating to the Company's premises in Melksham, Wiltshire, UK and in 2009, Johnson Creek, Wisconsin, USA. The remaining balance comprises sundry receivables which are not individually significant for disclosure.

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

15 CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Cash at bank and in hand	**577**	1,041

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

16 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Trade payables	**6,010**	6,450
Other taxation and social security	**243**	232
Other payables	**1,320**	3,046
Accruals	**8,091**	6,468
	15,664	16,196

Other payables in 2009 include £1,258,000 of deferred consideration following the purchase of International Safety Instruments, Inc. in July 2005 which was paid during 2010. The remaining balance comprises sundry payables which are not individually significant for disclosure.

17 BORROWINGS

	2010 £'000	2009 £'000
Current		
Bank loans	**-**	12,557
Bank overdrafts	**-**	2,140
	-	14,697
Non-current		
Bank loans	**13,166**	-
	13,166	-
Total borrowings	**13,166**	14,697
The maturity profile of the Group's borrowings at the year end was as follows:		
In one year or less, or on demand	**-**	14,697
Between one and two years	**-**	-
Between two and five years	**13,166**	-
	13,166	14,697

The carrying amounts of the Group's borrowings are denominated in the following currencies:	2010 £'000	2009 £'000
Sterling	**2,000**	3,800
US dollars	**11,166**	10,897
	13,166	14,697

17 BORROWINGS (CONTINUED)

The Group has the following undrawn committed facilities:

	2010 Floating rate £'000	2010 Total £'000	2009 Total £'000
Expiring within one year	-	-	4,449
Expiring between two and five years	10,422	10,422	-
Total undrawn committed borrowing facilities	10,422	10,422	4,449
Bank loans and overdrafts utilised	13,166	13,166	14,697
Utilised in respect of guarantees	702	702	472
Total Group facilities	24,290	24,290	19,618

On 30 September 2010 the Group agreed new bank facilities with Barclays Bank and Comerica Bank. The Barclays facility comprises a revolving credit facility of £5m and $15.5m and expires on 30 March 2014. The Comerica facility is a $15m revolving credit facility and expires on 30 September 2013. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 2% and include financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2010.

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

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

	2010 Sterling %	2010 Dollar %	2009 Sterling %	2009 Dollar %
Bank loans	3.5	3.4	4.0	3.7
Bank overdrafts	-	-	-	3.2

The carrying amounts and fair value of the Group's borrowings are as follows:

	2010 Book value £'000	2010 Fair value £'000	2009 Book value £'000	2009 Fair value £'000
Bank loans and overdrafts under one year	-	-	14,697	14,697
Bank loans and overdrafts over one year	13,166	13,166	-	-
Total	13,166	13,166	14,697	14,697

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Property obligations £'000	Other provisions £'000	Automotive disposal £'000	European Dairy relocation £'000	Total £'000
Balance at 30 September 2008	-	2,088	3,480	-	5,568
Charged to the income statement	-	103	-	4,532	4,635
Payments in the year	-	(1,162)	(1,290)	(1,102)	(3,554)
Balance at 30 September 2009	-	1,029	2,190	3,430	6,649
Transferred to accruals	**-**	**-**	**(139)**	**-**	**(139)**
Reclassified	**3,728**	**(920)**	**-**	**(2,808)**	**-**
Unwinding of discount	**441**	**-**	**-**	**-**	**441**
Payments in the year	**(786)**	**(109)**	**(1,061)**	**(622)**	**(2,578)**
Balance at 30 September 2010	**3,383**	**-**	**990**	**-**	**4,373**

Analysis of total provisions	**2010 £'000**	2009 £'000
Non-current	**2,751**	4,071
Current	**1,622**	2,578
	4,373	6,649

At 30 September 2010 provisions have been classified under the headings 'Property obligations' and 'Automotive disposal' to best describe the nature of the provisions as of that date. In addition provisions have been analysed as current and non-current. This has necessitated some reclassification from the 30 September 2009 position.

Property obligations include an onerous lease provision of £2.4m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2011, and the remaining £1.8m over the following five years. Other property obligations relate to former premises of the Group which are subject to dilapidation risks. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

The provision relating to certain committed production volumes following the disposal of Automotive is expected to be utilised during 2011, and is subject to uncertainty in respect of certain production volumes at one of the divested sites and the Euro/Sterling exchange rate.

19 FINANCIAL INSTRUMENTS

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 purchasing 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 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.

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 risk at the reporting date was:

Carrying amount	2010 £'000	2009 £'000
Trade receivables	**11,686**	11,181
Other receivables	**2,854**	3,116
Cash and cash equivalents	**577**	1,050
Forward exchange contracts used for hedging:		
- Assets	**148**	31
- Liabilities	**(35)**	(56)
Total	**15,230**	15,322

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

Carrying amount of trade receivables	2010 £'000	2009 £'000
Sterling	**1,259**	2,261
US dollar	**9,845**	8,384
Euro	**582**	536
Total	**11,686**	11,181

19 FINANCIAL INSTRUMENTS (CONTINUED)

Provisions against trade receivables

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

	Gross 2010 £'000	Provision 2010 £'000	Net 2010 £'000	Gross 2009 £'000	Provision 2009 £'000	Net 2009 £'000
Not past due	**9,081**	**(35)**	**9,046**	8,730	(18)	8,712
Past due 0-30 days	**2,084**	**(110)**	**1,974**	2,107	(77)	2,030
Past due 31-60 days	**373**	**(12)**	**361**	407	(27)	380
Past due 61-90 days	**241**	**(25)**	**216**	71	(34)	37
Past due more than 91 days	**212**	**(123)**	**89**	106	(84)	22
Total	**11,991**	**(305)**	**11,686**	11,421*	(240)	11,181

The total past due receivables, net of provision is £2,640,000 (2009: £2,469,000).

* Includes £1,663,000 presented as assets held for sale.

(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 condition, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses weekly cash flow forecast to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facility to meet foreseeable operational expenses and at the year end had facilities of £24.3m (2009: £19.2m).

The following as the contractual maturity 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 2010						
Secured bank loans	13,166	15,266	600	600	14,066	-
Trade and other payables	15,664	15,664	15,664	-	-	-
Forward exchange contracts used for hedging						
- Outflow	35	5,313	5,313	-	-	-
- Inflow	(148)	-	-	-	-	-
Total	28,717	36,243	21,577	600	14,066	-

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 2009						
Secured bank loans	12,557	12,557	12,557	-	-	-
Overdraft	2,140	2,140	2,140	-	-	-
Trade and other payables	17,931	17,931	17,931	-	-	-
Forward exchange contracts used for hedging						
- Outflow	56	6,288	6,288	-	-	-
- Inflow	(31)	(711)	(711)	-	-	-
Total	32,653	38,205	38,205	-	-	-

(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 market 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 primarily are 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 2010 was a £113,000 asset (2009: a £25,000 liability) comprising an asset of £148,000 (2009: £31,000) and a liability of £35,000 (2009: £56,000).

All forward exchange contracts in place at 30 September 2010 mature within one year.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of five cents in the value of the US dollar against sterling would have had a £230,000 impact on the Group's current year profit before interest, tax and exceptional items and a £130,000 impact on the Group's profit after tax. The method of estimation, which has been applied consistently, involves accessing the transaction impact of US dollar and euro cash flows and the translation impact of US dollar profits and losses.

The following significant exchange rates applied during the year:

	Average rate 2010	**Closing rate 2010**	Average rate 2009	Closing rate 2009
US dollar	**1.549**	**1.581**	1.538	1.589
Euro	**1.152**	**1.150**	1.146	1.088

19 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk

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

The Group is exposed to interest rate fluctuations and with net debt of £12.6m a 1% movement in interest rates would impact the interest costs by £126,000.

The floating rate financial liabilities comprise bank loans bearing interest rates fixed by reference to the relevant LIBOR or equivalent rate. The maturity profile of the Group's financial liabilities at 30 September was as follows:

	2010 £'000	2009 £'000
In one year or less	**-**	14,697
In more than one year but not more than two years	**-**	-
In more than two years but not more than five years	**13,166**	-
In more than five years	**-**	-
Total	**13,166**	14,697

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	Carrying amount 2010 £'000	Carrying amount 2009 £'000
Floating rate instruments		
Financial assets	**577**	1,050
Financial liabilities	**(13,166)**	(14,697)
	(12,589)	(13,647)

Financial liabilities consist of overdrafts which are on floating rates or loans on rates based on LIBOR plus a fixed margin.

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 net debt has been managed carefully and in conjunction with an increased market capitalisation has positively impacted the gearing ratio in 2010 as shown below:

The Group's gearing ratio at the balance sheet date was:

	2010 £'000	2009 £'000
Total borrowings	**13,166**	14,697
Cash and cash equivalents	**(577)**	(1,050)
Group net debt	**12,589**	13,647
Market capitalisation of the Group at 30 September	**50,693**	23,021
Gearing ratio	**19.9%**	37.2%

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 2010 £'000	**Fair Value 2010 £'000**	Carrying Amount 2009 £'000	Fair Value 2009 £'000
Trade receivables	**11,686**	**11,686**	11,181	11,181
Other receivables	**2,854**	**2,854**	3,116	3,116
Cash and cash equivalents	**577**	**577**	1,050	1,050
Forward exchange contracts				
- Assets	**148**	**148**	31	31
- Liabilities	**(35)**	**(35)**	(56)	(56)
Secured loans	**(13,166)**	**(13,166)**	(12,557)	(12,557)
Trade and other payables	**(15,664)**	**(15,664)**	(17,931)	(17,931)
Bank overdrafts	**-**	**-**	(2,140)	(2,140)
	(13,600)	**(13,600)**	(17,306)	(17,306)

Included in the above for 2009 are £1,663,000 of trade receivables, £20,000 of other receivables, £9,000 of cash and £1,735,000 of trade and other payables which have been presented within assets and liabilities held for sale.

The forward exchange contracts are cashflow hedges, the assets designated upon initial recognition to be held at fair value through profit and loss and the liabilities at amortised cost.

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
Forward exchange contracts are valued at year end spot rates, adjusted for the forward points to the contract's value date, and gains and losses taken to the consolidated statement of comprehensive income. No contract's value date is greater than one year from the year end. This is the Level 2 method of determining fair value as defined by IFRS 7.

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

	2010 No. of shares	2010 Ordinary shares £'000	2010 Share premium £'000	2009 No. of shares	2009 Ordinary shares £'000	2009 Share premium £'000
Authorised						
Ordinary shares of £1 each	**37,900,000**	**37,900**	**-**	37,900,000	37,900	-
Called up allotted and fully paid						
At the beginning of the year	**29,140,681**	**29,141**	**34,708**	29,140,681	29,141	34,708
Shares issued during the year	**1,582,611**	**1,582**	**-**	-	-	-
At the end of the year	**30,723,292**	**30,723**	**34,708**	29,140,681	29,141	34,708

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on pages 42-43.

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

On 28 September 2010 1,582,611 £1 ordinary shares were issued at par to the Avon Rubber p.l.c. Employee Share Ownership Trust No.1.

At 30 September 2010, 2,437,681 (2009: 666,191) ordinary shares were held by a trust in respect of obligations under the 2002 Performance Share Plan and the 2010 Performance Share Plan Dividends on these shares have been waived. The market value of shares held in the trust at 30 September 2010 was £4,022,000 (2009: £526,000).

At 30 September 2010 the market value of the shares in issue was £50,693,000 (2009: £23,021,000).

21 CASH GENERATED FROM OPERATIONS

	2010 £'000	2009 £'000
Continuing operations		
Profit/(loss) for the financial year	**4,326**	(142)
Adjustments for:		
Taxation	**2,808**	2,004
Depreciation	**2,422**	2,366
Difference between pension change and cash contributions	**(516)**	(1,113)
Amortisation of intangibles	**1,900**	1,785
Finance income	**(16)**	(33)
Finance costs	**985**	1,539
Other finance income	**1,152**	(394)
Profit on disposal of property, plant and equipment	**(1)**	(2,088)
Loss on disposal of intangible assets	**12**	20
Movement in respect of employee share scheme	**150**	148
Decrease in inventories	**347**	1,198
Decrease/(increase) in receivables	**183**	(2,011)
(Decrease)/increase in payables and provisions	**(1,833)**	2,482
Cash generated from continuing operations	**11,919**	5,761
Analysed as:		
Cash generated from continuing activities prior to the effect of exceptional operating items	**13,105**	7,449
Cash effect of exceptional operating items	**(1,186)**	(1,688)
Discontinued operations		
Decrease in payables and provisions	**(2,052)**	(2,614)
Cash used in discontinued operations	**(2,052)**	(2,614)
Cash generated from operations	**9,867**	3,147

Cash flows relating to the discontinued operations are as follows:

	2010 £'000	2009 £'000
Cash flows relating from operating activities	**(2,052)**	(2,614)
Cash flows from investing activities	**-**	2,050
Cash used in discontinued operations	**(2,052)**	(564)

22 ANALYSIS OF NET DEBT

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

	At 1 Oct 2009 £'000	Reclassified £'000	Cash flow £'000	Exchange movements £'000	**At 30 Sept 2010 £'000**
Cash at bank and in hand	1,041	9	(473)	-	**577**
Cash included in assets held for sale	9	(9)	-	-	**-**
Overdrafts	(2,140)	-	2,196	(56)	**-**
Net cash and cash equivalents	(1,090)	-	1,723	(56)	**577**
Debt due within 1 year	(12,557)	13,166	(612)	3	**-**
Debt due over 1 year	-	(13,166)	-	-	**(13,166)**
	(13,647)	-	1,111	(53)	**(12,589)**

23 OTHER FINANCIAL COMMITMENTS

	2010 £'000	2009 £'000
Capital expenditure committed	**422**	1,529

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:

	2010 Land and buildings £'000	**2010 Other assets £'000**	2009 Land and buildings £'000	2009 Other assets £'000
Within one year	**2,030**	**51**	1,727	32
Between 1 and 5 years	**7,950**	**102**	6,890	19
Later than 5 years	**10,417**	**-**	9,418	1
Net cash and cash equivalents	**20,397**	**153**	18,035	52

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 compensation plan (PSP). Details of the Scheme, awards granted and options outstanding are set out in the remuneration report on page 35. The charge against profit of £150,000 (2009: £148,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions.

	2010	2009
Weighted average fair value (£)	**0.20**	0.15
Key assumptions used:		
Weighted average share price (£)	**0.81**	0.32
Votalitly (based on historic) (%)	**29**	35
Range of risk-free interest rate (%)	**1.76**	3.75-4.00
Range of expected option term (yrs)	**3.0**	3.0
Divided yield (%)	**1.5**	3.0

25 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year.

26 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
Held by Group undertakings	
Avon Engineered Fabrications, Inc.	USA
Avon Hi-Life, Inc.	USA
Avon Milk-Rite U.S.A, Inc.	USA
Avon Protection Systems, Inc.	USA
Avon Rubber & Plastics, Inc.	USA
Avon-Ames Limited	UK
Avon International Safety Instruments, Inc.	USA
Nova Insurance Limited	Guernsey

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.

Avon Rubber Pension Trust Limited and Nova Insurance Limited are, respectively a pension fund trustee and an insurer.

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

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

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

Independent Auditor's Report

for the year ended 30 September 2010

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

We have audited the group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2010 which comprise the Consolidated Balance Sheet, the Consolidated Statement of Comprehensive Income, the Group Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 24 and 25, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group Financial Statements are prepared is consistent with the Group Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 32 to 35 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 35, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mark Ellis

Mark Ellis
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
24 November 2010

Independent Auditor's Report

for the year ended 30 September 2010

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

We have audited the financial statements of Avon Rubber p.l.c. for the year ended 30 September 2010 which comprise the Company 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 Directors' Responsibilities Statement set out on pages 24 and 25, 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 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.

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 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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
24 November 2010

Parent Company Balance Sheet

at 30 September 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed Assets					
Tangible assets	4		**123**		140
Investments	5		**72,097**		72,097
			72,220		72,237
Current assets					
Debtors	7	**47,434**		50,582	
Cash at bank and in hand		**466**		436	
		47,900		51,018	
Creditors - amounts falling due within one year	8	**8,878**		21,217	
Net current assets			**39,022**		29,801
Total assets less current liabilities			**111,242**		102,038
Creditors - amounts falling due after more than one year					
Borrowings	9	**9,748**		-	
Provisions for liabilities and charges	10	**3,383**		3,678	
			13,131		3,678
Net assets			**98,111**		98,360
Capital and reserves					
Share capital	11		**30,723**		29,141
Share premium account	12		**34,708**		34,708
Capital redemption reserve	12		**500**		500
Profit and loss account	12		**32,180**		34,011
Total shareholders' funds	13		**98,111**		98,360

These financial statements were approved by the Board on 24 November 2010 and were signed on its behalf by:

Peter Slabbert

Andrew Lewis

Parent Company Accounting Policies

for the year ended 30 September 2010

Accounting policies

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

Basis of preparation

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

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

The Company is exempt under the terms of FRS1 (Revised 1996) "Cash Flow Statements" from the requirement to publish its own cash-flow statement, as its cash-flows are included within the consolidated cash-flow statement of the Group.

Foreign currencies

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

Deferred taxation

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

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

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

Impairment of fixed assets

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the tangible fixed assets may not be recoverable. If the carrying amount exceeds its recoverable amount (being the higher of the value in use and the net realisable value) then the fixed asset is written down accordingly. Where recoverable amounts are based on value in use, discount rates of typically between 10% and 15% are used depending on the risk attached to the underlying asset.

Investment in subsidiary undertakings

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

Leased assets

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

Pensions

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

The Company also provide 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 and charges

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.

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. No depreciation is provided on freehold land where its value can be separately ascertained. In all other cases freehold properties are depreciated on a straight line method at 2% per annum. Plant and machinery are depreciated on 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 Transactions, not to disclose transactions or balances with other Group companies.

Share based payment

The Company operates a number of equity-settled, sharebased 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 income statement. 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 stated at 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 non-current liabilities.

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.

Notes to the Parent Company Financial Statements

for the year ended 30 September 2010

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 account by virtue of section 408 of the Companies Act 2006. The parent company's loss for the financial year was £132,000 (2009: £2,705,000).

The audit fee in respect of the parent company was £35,000 (2009: £50,000).

2 DIVIDENDS

No dividends were declared in respect of the 2009 financial year and the Board announced in May 2010 that there would be no interim dividend in 2010.

After the balance sheet date the Board of Directors proposed a final dividend of 1.5p per qualifying ordinary share, which will absorb an estimated £430,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 8 April 2011 to shareholders on the register at the close of business on 11 March 2011. In accordance with accounting standards the 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:

	2010 £'000	2009 £'000
Wages and salaries	**1,372**	1,707
Social security costs	**289**	182
Other pension costs	**95**	92
Share based payments	**150**	148
	1,906	2,129

Detailed disclosures of Directors' remuneration and share options are given on pages 41 and 42 in the Group accounts.

The average number of employees (including Executive Directors) during the year was 8 (2009: 11), all whom were classified as administrative staff.

4 TANGIBLE FIXED ASSETS

	Plant and Machinery £'000	Total £'000
Cost		
At 1 October 2009	472	472
Additions at cost	22	22
Disposals	(41)	(41)
At 30 September 2010	453	453
Accumulated depreciation		
At 1 October 2009	332	332
Charge for the year	38	38
Disposals	(40)	(40)
At 30 September 2010	330	330
Net book amount at 30 September 2010	123	123
Net book amount at 30 September 2009	140	140

5 FIXED ASSET INVESTMENTS

	Investment in Subsidiaries 2010 £'000	Investment in Subsidiaries 2009 £'000
Cost and net book value	72,097	72,097

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 trustees	UK

Details of investments held by these subsidiaries are given in note 26 to the Group accounts on page 82.

Notes to the Parent Company Financial Statements continued

for the year ended 30 September 2010

6 OTHER FINANCIAL COMMITMENTS

	2010 £'000	2009 £'000
Capital expenditures committed	-	-

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

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

	2010 Land and buildings £'000	2009 Land and buildings £'000
For leases expiring	**-**	-
Within 1 year	**-**	-
In 2-5 years	**-**	-
Over 5 years	**969**	965
	969	965

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

7 DEBTORS

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	**45,808**	49,013
Other debtors	**1,014**	975
Prepayments	**612**	594
	47,434	50,582

Other debtors include £956,000 (2009: £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

	2010 £'000	2009 £'000
Bank loans	**-**	12,557
Bank overdrafts	**-**	63
Trade creditors	**-**	29
Amounts due to Group undertakings	**6,861**	6,992
Taxation and social security	**-**	31
Other creditors	**471**	816
Accruals	**1,546**	729
	8,878	21,217

9 BORROWINGS

	2010 £'000	2009 £'000
Current		
Bank loans	-	12,557
Overdrafts	-	63
	-	12,620
Non-current		
Bank loans	9,748	-
	9,748	-
Total borrowings	9,748	12,620

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

	2010 £'000	2009 £'000
In 1 year or less or on demand	-	12,620
Between 1 and 2 years	-	-
Between 2 and 5 years	9,748	-
	9,748	12,620

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

	2010 £'000	2009 £'000
Sterling	2,000	3,800
US dollars	7,748	8,820
	9,748	12,620

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

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Property obligations £'000	Other provisions £'000	European Dairy relocation £'000	Total £'000
Balance at 30 September 2008	-	908	-	908
Charged to profit and loss account	-	-	2,958	2,958
Payments in the year	-	(188)	-	(188)
Balance at 30 September 2009	-	720	2,958	3,678
Reclassified	**3,528**	**(720)**	**(2,808)**	**-**
Unwinding of discount	**441**	**-**	**-**	**441**
Payments in the year	**(586)**	**-**	**(150)**	**(736)**
Balance at 30 September 2010	**3,383**	**-**	**-**	**3,383**

Analysis of total provisions	**2010 £'000**	2009 £'000
Non-current	**2,751**	2,942
Current	**632**	736
	3,383	3,678

At 30 September 2010 provisions have been classified under the heading 'property obligations' to best describe the nature of the provisions as of that date. In addition provisions have been analysed as current and non-current. This has necessitated some reclassification from the 30 September 2009 position.

Property obligations include an onerous lease provision of £2.4m in respect of unutilised space at the Company's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2011, and the remaining £1.8m over the following five years. Other property obligations relate to former premises of the Company which are subject to dilapidation risks. 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 SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised		
37,900,000 ordinary shares of £1 each	**37,900**	37,900
Allotted and fully paid		
30,723,292 (2009: 29,140,681) ordinary shares of £1 each	**30,723**	29,141

On 28 September 2010 1,582,611 £1 ordinary shares 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 30 September 2008	34,708	500	36,568	71,776
Retained loss for the year	-	-	(2,705)	(2,705)
Movement in respect of employee share schemes	-	-	148	148
At 30 September 2009	34,708	500	34,011	69,219
Retained loss for the year	**-**	**-**	**(132)**	**(132)**
Movement in respect of employee share schemes	**-**	**-**	**(1,699)**	**(1,699)**
At 30 September 2010	**34,708**	**500**	**32,180**	**67,388**

13 TOTAL SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
At the beginning of the year	**98,360**	100,917
Loss for the financial year attributable to equity shareholders	**(132)**	(2,705)
Purchase of shares by the employee benefit trust	**(1,849)**	-
Movement in respect of employee share scheme	**150**	148
New shares issued	**1,582**	-
At 30 September	**98,111**	98,360

14 SHARE BASED PAYMENTS

The Company operates an equity settled share based compensation plan (PSP). Details of the Scheme, awards granted and options outstanding are set out in the remuneration report on page 42. The charge to the profit and loss account of £150,000 (2009: £148,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions.

	2010	2009
Weighted average fair value (£)	**0.20**	0.15
Key assumptions used:		
Weighted average share price (£)	**0.81**	0.32
Votaltily (based on historic) (%)	**29**	35
Range of risk-free interest rate (%)	**1.76**	3.75-4.00
Range of expected option term (yrs)	**3.0**	3.0
Divided yield (%)	**1.5**	3.0

Five Year Record

for the year ended 30 September 2010

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Revenue	**117,574**	100,900	54,606	48,666	63,112
Operating profit/(loss) before exceptional items	**9,255**	5,509	(4,105)	(120)	(79)
Exceptional operating items	**-**	(2,535)	(8,481)	-	2,545
Operating profit/(loss) from continuing operations	**9,255**	2,974	(12,586)	(120)	2,466
Net interest and other finance (charges)/income	**(2,121)**	(1,112)	195	1,688	(1,219)
Profit/(loss) before taxation	**7,134**	1,862	(12,391)	1,568	1,247
Taxation	**(2,808)**	(2,004)	1,259	(717)	(2,045)
Profit/(loss) for the year from continuing operations	**4,326**	(142)	(11,132)	851	(798)
Profit/(loss) for the year from discontinued operations	**-**	-	(8,337)	244	(18,329)
Profit/(loss) for the year	**4,326**	(142)	(19,469)	1,095	(19,127)
Profit/(loss) attributable to non-controlling interest	**-**	41	6	1	(209)
Profit/(loss) attributable to equity shareholders	**4,326**	(183)	(19,475)	1,094	(18,918)
Ordinary dividends	**-**	-	(1,367)	(2,353)	(2,331)
Retained profit/(loss)	**4,326**	(183)	(20,842)	(1,259)	(21,249)
Intangible assets and property, plant and equipment	**25,762**	25,199	25,040	37,346	37,918
Net assets classified as held for sale	**-**	3,082	3,517	466	-
Working capital	**9,628**	5,273	5,201	9,649	6,475
Provisions	**(4,373)**	(6,649)	(5,568)	(2,037)	(3,426)
Pension (liability)/asset	**(7,134)**	(9,152)	42,640	14,650	(14,598)
Net deferred tax liability	**(2,517)**	(1,833)	(13,024)	(6,182)	(1,192)
Net borrowings	**(12,589)**	(13,656)	(15,139)	(10,436)	(1,107)
Net assets employed	**8,777**	2,264	42,667	43,456	24,070
Financed by:					
Ordinary share capital	**30,723**	29,141	29,141	29,125	28,275
Reserves attributable to equity shareholders	**(21,946)**	(26,916)	12,963	13,774	(4,761)
Non-controlling interest in equity	**-**	39	563	557	556
Total equity	**8,777**	2,264	42,667	43,456	24,070
Basic earnings/(loss) per share	**15.2p**	(0.6)p	(68.4)p	3.9p	(68.9)p
Dividends per share	**-**	-	4.8p	8.5p	8.5p

2008, 2007 and 2006 are as presented in the consolidated financial statements of those years.

Notice of Annual General Meeting

for the year ended 30 September 2010

Notice is hereby given that the annual general meeting of shareholders will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 3 March 2011 at 10.30 a.m. for the following purposes:-

1. To receive a presentation by the Chief Executive on aspects of the Company's business.

2. To receive and consider the report of the Directors and the financial statements for the year ended 30 September 2010 (Resolution No. 1).

3. To declare a dividend on the ordinary shares (Resolution No. 2).

4. To approve the remuneration report of the Directors (as set out on pages 36 to 43 of the annual report) for the year ended 30 September 2010 (Resolution No. 3).

5. To re-elect Directors:-
   Mr. D.R. Evans retires by rotation and, being eligible, offers himself for re-election (Resolution No. 4)
   Mr. P.C. Slabbert retires by rotation and, being eligible, offers himself for re-election (Resolution No. 5)

6. To approve the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors (Resolution No. 6).

7. To transact any other routine business.

8. As special business to consider and if thought fit pass the following resolution which will be proposed as an Ordinary Resolution (Resolution No. 7):

   'That in accordance with section 551 of the Companies Act 2006 ('2006 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 2006 Act) up to an aggregate nominal amount of £10,241,097 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 23 April 2012 or, if earlier, the date of the annual general meeting of the Company in 2012 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.'

9. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 8):

   'That, subject to the passing of Resolution No. 7 and in accordance with section 570 of the 2006 Act, the Directors be generally empowered to allot Relevant Securities pursuant to the authority conferred by Resolution No. 6, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

(a) be limited to the allotment of equity securities up to an aggregate nominal amount of £1,536,164; and
(b) expire on 23 April 2012 or, if earlier, the date of the annual general meeting of the Company in 2012 (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.'

10. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 9):

   'That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the 2006 Act to make market purchases (within the meaning of 693(4) of the 2006 Act) of ordinary shares of £1 each in the capital of the Company provided that:
(a) the maximum number of shares which may be purchased is 4,608,492;
(b) the minimum price which may be paid for each share is 1p;
(c) the maximum price which may be paid for a share is an amount equal to 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange London official list for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and
(d) this authority shall expire at the conclusion of the annual general meeting of the Company held in 2012 or, if earlier, on 23 July 2012 (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.'

overview of the year
how we run our business
how we performed
shareholders information

11. As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 10):

    'That the Articles of Association produced to the annual general meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.'

By order of the Board

Miles Ingrey-Counter
Company Secretary
24 November 2010

(1) Information regarding the annual general meeting including the information required by section 311A of the 2006 Act, is available at www.avon-rubber.com.

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

(3) A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified 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 Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;

(ii) via www.capitashareportal.com; or

(iii) In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the meeting.

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

In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy 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 the Notice of Meeting. 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 2006 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 28 February 2011 (or 6.00 pm on the date two days before any adjourned meeting, ignoring non-working days). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

(8) Under section 319A of the 2006 Act, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

(i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
(ii) the answer has already been given on a website in the form of an answer to a question; or
(iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(9) Biographical details of the Directors are shown on page 21 of the Annual Report.

(10) The issued share capital of the Company as at 24 November was 30,723,292 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

(11) The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the meeting until it ends:

(i) the Register of Directors' interests showing any transactions of Directors and their family interests in the share capital of the Company; and
(ii) copies of all Contracts of Service under which the Executive Directors of the Company are employed by the Company or any of its subsidiaries; and
(iii) copies of the letters of appointment of the Non-Executive Directors of the Company.

(12) 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.

(13) Pursuant to Chapter 5 of Part 16 of the 2006 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 meeting. Where the Company is required to publish such a statement on its website:

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

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

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 and may be made by:
(iii) a hard copy request which is signed by you, states your full name and address and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB marked for the attention of the Company Secretary.
(iv) a request which is signed by you, states your full name and address and is sent by fax to 01225 896899 marked for the attention of the Company Secretary.
(v) a request which states your full name and address sent by email to miles.ingrey-counter@avon-rubber.com.

Explanation of Resolutions 7 and 8

Resolutions 7 and 8 authorise your board to allot shares and disapply shareholders' pre-emption rights, with authority given on an annual renewable basis. Shareholders may recall that this authority has previously been given for the maximum amounts permitted by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds ('the Investment Committees').

The authorities referred to above were renewed at the AGM in 2010 and will, unless again renewed by the shareholders, expire at the end of the forthcoming AGM. The authorisation for the allotment of shares and for the disapplication of pre-emption rights can be renewed by way of a relatively simple ordinary resolution and special resolution respectively. It is therefore proposed as Resolution No. 7 to renew the authority of the Directors to allot shares up to an aggregate nominal amount of £10,241,097 ('the section 546 amount'), being an amount equal to one third of the existing issued ordinary share capital, so that the Directors are empowered pursuant to and within that authority to issue shares (including in connection with a rights issue). It is additionally proposed as Resolution No. 8 to provide that the authority to issue shares for cash to persons other than existing shareholders (and not by way of a rights issue) will be limited to issues representing no more than £1,536,164 ('the section 561 amount') being 5% of the issued ordinary share capital as shown in the latest audited financial statements.

The proposed section 546 amount and the proposed section 561 amount are slightly higher than last year as there has been an increase in the issued share capital during the year. In connection with the section 546 amount the Investment Committees permit the allotment of ordinary shares on a fully pre-emptive basis up to a maximum amount of two thirds of the issued share capital at the time of allotment. However, where this amount is in excess of one third in monetary value of the pre-issue market capitalisation, then the Investment Committees expect all members of the Board of Directors to stand for re-election at the next AGM. To ensure that this requirement is not inadvertently triggered, the section 546 amount has been set at one third of the current issued share capital.

The authorities sought in Resolutions 7 and 8 comply with the guidelines of the Investment Committees and will, unless subsequently renewed by shareholders, expire at the end of the annual general meeting to be held in 2012 or on 23 April 2012 if earlier.

'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 2006 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.

(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 2006 Act). References to the allotment of Relevant Securities in the resolutions include the grant of such rights.

No issue of shares (apart from issues in respect of the exercise of options granted or to be granted to employees or Directors under option schemes approved by shareholders, including the Avon Rubber Sharesave Option Scheme 2002, the Avon Rubber p.l.c. Performance Share Plan 2002 and the Avon Rubber p.l.c. Performance Share Plan 2010), is currently contemplated and none will be made which will effectively alter the control of the Company without the prior approval of the Company in general meeting.

Explanation of Resolution 9

It is proposed, by way of Resolution 9, to renew the Company's power to buy back its own shares. Although the Company's Articles of Association give the Company the relevant power, the Company is only permitted to buy back its shares pursuant to that power if it is additionally authorised to do so by a relevant resolution of the Company.

Resolution 9 would grant the Company authority to make purchases on the London Stock Exchange of up to 4,608,492 ordinary shares of £1 each of the Company, subject to the limitations on the minimum and maximum prices set out in the Resolution, for a period up to the conclusion of the annual general meeting of the Company held in 2012 or, if earlier, 23 July 2012. The maximum number of ordinary shares for which authority to purchase is being sought represents nearly 15% (fifteen percent) of the Company's issued ordinary share capital.

As of 24 November there were options to subscribe outstanding over 1,905,417 ordinary shares, representing 6.2% of the Company's ordinary issued share capital. If the authority given by Resolution No.9 were to be fully exercised, these options would represent 7.3% of the Company's ordinary issued share capital. As of 24 November there were no warrants outstanding over ordinary shares.

The Directors intend to exercise the power given by Resolution 9 only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the underlying value per share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly.

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

In the opinion of the Directors, Resolution 9 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.

Explanation of Resolution 10

This Resolution seeks shareholder approval for a number of amendments to the Company's Articles of Association to take advantage of the provisions of the new Companies Act 2006. An explanation of the main changes between the proposed and existing Articles of Association is set out in Appendix 1 of this document. A copy of the proposed new Articles of Association, with a copy of the existing Memorandum and Articles of Association marked to show the changes being proposed in the Resolution will be available for inspection at the registered office of the Company during usual business hours until the date of the meeting and also on the date and at the place of the AGM from 10.30 a.m. until the conclusion of the meeting.

Appendix 1
Summary of the principle changes to the Articles of Association

1. General changes

1.1 Simplification

The drafting approach taken has been to keep the Articles of Association as simple as possible by not including reference to any matter which is set out in the new Companies Act 2006 ('New Act'). As such, all matters which are set out in the New Act have been removed in the interests of brevity. These include:

- old article 9 "directors' power to allot";
- old articles 46 and 47 "notices of meeting";
- old article 69 "corporations acting by representatives";
- old article 115 "no dividend except out of profits"; and
- old articles 128 and 129 "auditors".

Generally the opportunity has been taken to bring clearer language into the new Articles of Association and in some areas to conform the language to that used in the New Act.

1.2 Table A not to apply

This has been amended to exclude all default articles that would otherwise apply to the Company, including the new Model Articles.

1.3 Definitions and statutory references

These have been updated to account for changes in regulations and to refer to definitions contained in the New Act.

All statutory references to the Companies Act 1985 have been updated to account for changes in the New Act and the corresponding references have been inserted where applicable.

1.4 Extraordinary resolutions and meetings

All references to extraordinary resolutions have been removed as these no longer form part of the New Act. Likewise references to extraordinary general meetings have been removed as these are no longer relevant under the New Act. All meetings under the New Act are called General Meetings other than the Annual General Meeting.

1.5 The UK Corporate Governance Code

The new UK Corporate Governance Code applies to all UK based companies with a premium listing on the London Stock Exchange, including the Company. It will take effect from the date of the next AGM, to which this notice relates. Accordingly, the Articles of Association contain several changes to implement the new requirements. In particular amendments have been included regarding the diversity of the Board and as to the procedure on appointment of a new chairman.

1.6 Electronic means

The Articles of Association have been updated to account for changes in the New Act as to the delivery of information, both to and from the Company, by electronic means.

2. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This was traditionally drafted as widely as possible so as not to unduly limit the Company's powers.

The New Act significantly reduces the constitutional significance of a company's Memorandum and provides that it will record only the names of subscribers and the number of shares each subscriber has agreed to take in the Company. Under the New Act the objects clause and all other provisions which are currently contained in a company's Memorandum will be deemed to be contained in a company's Articles of Association but the company can remove these provisions by special resolution.

Further, the New Act states that unless a company's Articles of Association provide otherwise, a company's objects are unrestricted. This means that companies no longer need to have objects clauses and as such the Company is proposing to remove its objects clause to allow it to have the widest possible scope for its activities. Upon adoption of the new Articles of Association the objects clause will be deemed removed.

3. Change of name

Currently, a company can only change its name by special resolution of the shareholders. Under the New Act a company will be able to change its name by other means provided for by its Articles of Association. To take advantage of this provision, the new Articles of Association enable the Directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The New Act no longer imposes the requirement for a company to have an authorised share capital. The Company proposes to remove this provision from its Articles of Association in line with this change. Directors will still be limited as to the number of shares they can allot at any time as allotment authority continues to be required under the New Act.

The number of shares the Directors may allot in the next year has been limited under Resolutions 7 and 8, as set out in the Notice of AGM accompanying these notes. This power will also need to be renewed at the next AGM in 2012.

5. Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its Articles of Association the terms and manner of redemption. The New Act enables directors to determine such matters instead provided they are so authorised by the Articles of Association. The new Articles of Association contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

6.Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital
Previously a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Company's current Articles of Association include these enabling provisions. Under the New Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for Articles of Association to contain enabling provisions. Accordingly the relevant enabling provisions have been removed.

7. Share certificates for joint holders
This has been amended to provide that neither the Company nor the operator shall be bound to register more than four persons as a joint holder of any share. This is a standard inclusion in the articles of association of a public limited company.

8. Directors right to refuse registration
Under the New Act directors no longer have the power to refuse registration of the transfer of a share without giving any reason. This article has been amended to provide that the Directors must send the allotee or transferee notice in writing of their refusal to register a transfer of the share together with the reasons for the refusal.

9. Board authority to authorise conflicts
Under the New Act the old common law provisions on the authorisation of director's conflicts by the board has been relaxed. The arcticles of association of new companies are automatically deemed to include a provision to this effect, but existing companies, such as the Company, are required to add a new article to take advantage of this change in law.

10. Untraced shareholders
An additional paragraph has been added requiring that before the Company sells any share under these provisions it shall give notice to the UK Listing Authority. This is a legal requirement of the UK Listing Authority and the article has been amended accordingly.

11. Quorum general meetings
This has been amended to account for the situation where a corporate shareholder appoints one or more representatives to attend a general meeting in its place or appoints one or more proxies to attend in its place. The purpose of this amendment is to remove the anomaly whereby one corporation represented by two members could form a quorum at a general meeting without any other members being present.

12. Entitlement to attend and speaking
The purpose of this amendment is to give the chairman the power to invite an expert to attend and speak at any general meeting while he believes that such a person would have such knowledge and experience as to be able to assist in the deliberations of the general meeting. This is not a change required by the New Act but the Company believes that it is a useful power.

13. Demand for a poll
This article has been amended to require that five members present in person or proxy are able to demand a poll rather than the previous three. This represents changes in the New Act. The article has also been amended to track the wording of the New Act and also to provide for corporate members which are represented at a general meeting by an appointed representative.

14. Director's ages
The old article 78 has been removed as under the New Act there is no longer an upper age limit for directors. A restriction such as this is also now potentially illegal under age discrimination legislation.

15. Directors' fees
This article has been updated to provide that the fee cap previously of £100,000 per annum be raised to £350,000 in line with current market practice.

16. The Seal
This article has been amended for convenience to allow the Board to nominate a Director and another person for the purpose of sealing documents. This is purely for convenience and allows for the sealing of documents where two Directors are not available at short notice. This article has also been updated to provide for the execution of documents by one Director in the presence of a witness who attests his signature. This amendment tracks the changes in the New Act which permits the execution of documents by a company in this manner.

17. Scrip Dividends
This article has been updated to provide for the election to receive scrip dividends by electronic means, in CREST. It has also been updated to provide that the holders of shares through deposit receipts in addition to shareholders with registered addresses in other territories may not as the Directors may determine receive the rights of election specified in this article.

18. Indemnity
This article has been updated to account for the change to insurance and indemnities of directors in the New Act.

SHAREHOLDERS' INFORMATION

Shareholders

On 23 November 2010 the Company had 2,162 shareholders, of which 1,128 (52.2%) had 1,000 shares or less.

Financial Calendar

Interim results announced in May and final results in November.

In respect of the year ended 30 September 2010 the Annual General Meeting will be held on 3 March 2011 at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Corporate Information

Registered office

Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Registered

In England and Wales No 32965
V.A.T No. GB 137 575 643

Board of Directors

The Rt. Hon. Sir Richard Needham (Chairman)
Stella Pirie OBE (Non-Executive Director)
David Evans (Non-Executive Director)
Peter Slabbert (Chief Executive)
Andrew Lewis (Group Finance Director)

Company Secretary

Miles Ingrey-Counter

Auditors

PricewaterhouseCoopers LLP

Registrars & Transfer Office

Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0GA.

Tel: 0871 664 0300
(calls cost 10p per minute plus network extras, lines are open 8.30am–5.30pm Mon-Fri)

Brokers

Arden Partners plc

Solicitors

TLT

Principle Bankers

Barclays Bank PLC
Comerica Inc.

Corporate Financial Advisor

Arden Partners plc

Corporate website

www.avon-rubber.com

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