2013 ANNUAL REPORT

AVON
Avon Rubber p.l.c.

An introduction to Avon Rubber p.l.c.

The Group has transformed itself over the past five years into an innovative design and engineering group specialising in two core markets, Protection & Defence and Dairy. With a strong emphasis on research and development we design, test and manufacture specialist products from a number of sites in the US and UK, serving markets around the world. We achieve this through nurturing the talent and aspirations of our employees to realise their highest potential.

Avon Protection is the recognised global market leader in advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection systems technology for the world's military, homeland security, first responder, fire and industrial markets.

With an unrivalled pedigree in mask design dating back to the 1920s, Avon Protection's advanced products are the first choice for Personal Protective Equipment (PPE) users worldwide and are placed at the heart of many international defence and tactical PPE deployment strategies. Our expanding global customer base now includes military forces, civil and first line defence troops, emergency service teams and industrial, marine, mineral and oil extraction site personnel. All put their trust in Avon's advanced respiratory solutions to shield them from every possible threat.

Our world-leading Dairy supplies business and its Milkrite brand have a global market presence. With a long history of manufacturing liners and tubing for the dairy industry, we have become the leading innovator and designer for products and services right at the heart of milking.

Our ultimate goal is always to improve and maintain animal health. Working with the leading scientists and health specialists in the global dairy industry we continue to invest in technology to further improve the milking process and animal welfare. Our products provide exceptional results for both the animal and the milker, making the milk extraction process run smoothly. As our market share and milking experience continue to grow, so does our global presence.

Delivering our strategy

"The implementation of our strategy has delivered exceptionally strong growth in 2013. We expect to make further progress in both our Protection & Defence and Dairy divisions in 2014."

Peter Slabbert, Chief Executive

The execution of our strategy is delivering results. The success of the investments we have made is demonstrated by the growth in revenue and profits in our 2013 results.

Our Protection & Defence business has developed through our prime contractor status with the US DOD and the resultant sales into other military and first responder markets. We are the CBRN respiratory protection systems provider of choice for users worldwide with a unique modular personal protection system offering multiple functionality for military, fire and first responder communities.

Our Dairy business has made significant progress in recent years, gaining market share in existing territories and expanding into China. Our future plans include expansion into emerging markets and further growth from the launch of our innovative cluster exchange service under our market-leading Milkrite brand.

Through our investment in products, technologies, systems and people, Avon is well positioned to deliver further growth.

Peter Slabbert
Chief Executive
20 November 2013

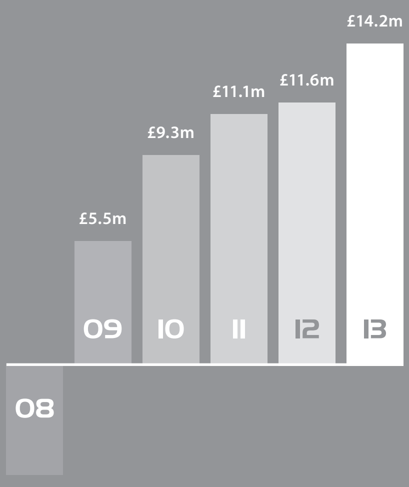
Financial Report

GROUP

Revenue
£124.9m ↑ £18.3m

Operating Profit*
£14.2m ↑ £2.6m

Operating Profit* (£m)

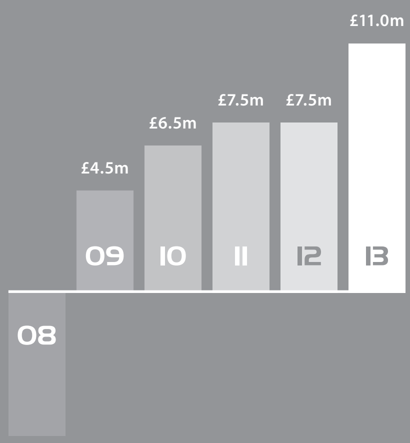


PROTECTION & DEFENCE

Revenue
£93.2m ↑ £18.6m

Operating Profit*
£11.0m ↑ £3.5m

Operating Profit* (£m)

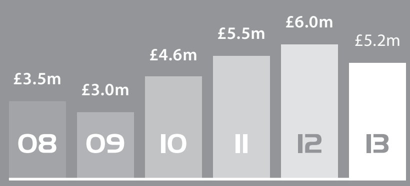


DAIRY

Revenue
£31.7m ↓ £0.3m

Operating Profit
£5.2m ↓ £0.8m

Operating Profit* (£m)



* = before exceptional items and the amortisation of acquired intangibles, see page 19 for a reconciliation to non-adjusted measures

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Overview of the year

How we performed

How we run our business

Shareholder information

Delivering results in our Protection & Defence business

WE ARE DELIVERING RESULTS FROM OUR MARKET-LEADING PROTECTION & DEFENCE BUSINESS:

Delivering in new markets

- We are protecting troops in over 60 countries. Our rapidly growing global customer base now includes military forces, civil and first line defence troops, emergency service teams and industrial, marine, mineral and oil extraction site personnel
- We continue to broaden our global sales teams and partnerships with national distributors to improve our channels to market
- We have expanded into new geographical markets such as South America and additional markets in the Middle East which are already delivering orders as customers experience our advanced products

Delivering brand recognition

- We have expanded our product management team to deliver greater focus to each product category
- We have increased brand loyalty through customer satisfaction and a commitment to sales and marketing to drive revenue growth

Delivering new products and services

- Through Project Fusion, we continue to develop a new and unique modular system offering multiple functionality for the military, fire and first responder communities

What we have delivered:

- Deltair, the firefighting industry's first new self contained breathing apparatus (SCBA) innovation in years
- National Institute for Occupational Safety and Health (NIOSH) certification for our unique MiLCF50 conformal filter
- NIOSH approval of the PC50 mask designed for the correctional services market
- Our development of new technology for application in products for the US Air Force and Navy has resulted in the award of a $6.7m DOD development contract with potential follow-on production contracts of up to $74m

Protection innovation delivering results

"Avon Protection has a long-standing history of offering industry firsts and innovations in every category where it does business."

Deltair by Avon Protection is an SCBA designed for the fire service industry as a result of extensive investment in development as part of Project Fusion. It has been developed in response to changes in US National Fire Protection Association (NFPA) standards. As the industry's first new innovation in this category in years, Deltair offers superior air management, a single power supply, clearer communication and optimal weight distribution for firefighters and other first responders.

Rugged and robust, Deltair is built with Avon's military pedigree to withstand the harshest environments.

By talking directly to the end user, Avon Protection learned that firefighters demand a simplified SCBA power system.

While others continue to make adjustments to meet new standards, Deltair uses a completely new platform. Avon Protection visualised and developed a product that provides the features and benefits that are most important to the firefighting community.

Deltair is superior to other SCBAs with its unique features and ergonomic design, allowing users more time to focus on fire and rescue efforts. With the Deltair mask, users can see and be seen more clearly in dark, smoky environments and can manoeuvre better in tight spaces.

DELTAIR™

"Deltair uses a completely new platform, while others simply continue to make adjustments to meet new standards"

FEATURES AND BENEFITS

Patented air management system

Deltair features a patented user-friendly, tactical switch that allows firefighters to instantly switch from ambient air to cylinder air.

The tactical switch allows firefighters and other first responders to keep their masks on at all times and only use cylinder air when it's needed. More efficient use of air equates to more time spent in the environment focused on the mission and fire and rescue efforts.

One power source

Deltair runs on six C-cell batteries encased in one power pack, simplifying storage and maintenance.

Lightweight and ergonomic design

Deltair meets NFPA weight requirements and is designed to evenly distribute the weight of the cylinder on a firefighter's hips.

The ergonomic design alleviates stress on the back and shoulders. Weight distribution is similar to how a mountain climber carries a heavy backpack, therefore minimizing risk of over-exertion and improving a firefighter's ability to manoeuvre.

Lower profile

The low profile mask design provides the greatest field of vision in the marketplace, which is critical when users are navigating dark, smoky environments.

The cylinder sits lower so that it doesn't hit the firefighter's helmet or get in the way when the operator moves through tight spaces.

Adaptable

Deltair adapts to accommodate technology upgrades.

Compatible with EchoTracer, a field-proven technology that enables the quick and accurate location of missing, lost or trapped firefighters.

Quick disconnect option

Enables firefighters to replace their cylinders in seconds without removing their gloves.

Tested for toughness

- Packs withstood a three-hour tumble test
- Masks resisted radiant heat temperatures of up to 500° Fahrenheit
- The back frame has been tested at 1,000 lb. pull strength
- Integrates with personal protective equipment, for example turnout clothing, helmets, personal issued items

Delivering results in our Dairy business

WE ARE DELIVERING RESULTS FROM OUR MARKET-LEADING DAIRY BUSINESS:

Delivering in new markets

- After entering China in 2012, our sales and distribution facility has continued to grow revenue throughout the year and provides a strong platform for the future
- Over the next 24 months we are continuing to focus on South America and India and expect these to provide continued growth opportunities for the future

Delivering brand recognition

- Our 'milkrite' logo and 'feel the difference' strapline reflect our brand values and quickly inform our customers of our products and capabilities
- To strengthen our global positioning we have continued to invest in our external communications strategy through trade exhibitions and digital communication channels

Delivering new products and services

- Our cluster exchange programme, recently launched in the US, means milkrite is a complete solution provider, saving farmers time on low-value tasks, securing our relationship with our customers and managing the change cycle. Further opportunities are available for this exciting concept

'We develop innovative products with unique designs'

We already have a vast product range including liners, milk tubing and other essential components of the milking process but we are constantly looking at ways we can further improve efficiency for the farmer.

We have many products that are under development – all providing milking improvements that the farmer has come to expect from milkrite.

'We use the latest technology to improve milking efficiency and improve teat health'

Our goal is always to improve and maintain animal health. Our products provide exceptional results for both the animal and the milker, making the milk extraction process run smoothly. Recently an independent milking organisation in Belgium, MCC-Vlaanderen, carried out a study on our ImpulseAir liner over 12 months and found:

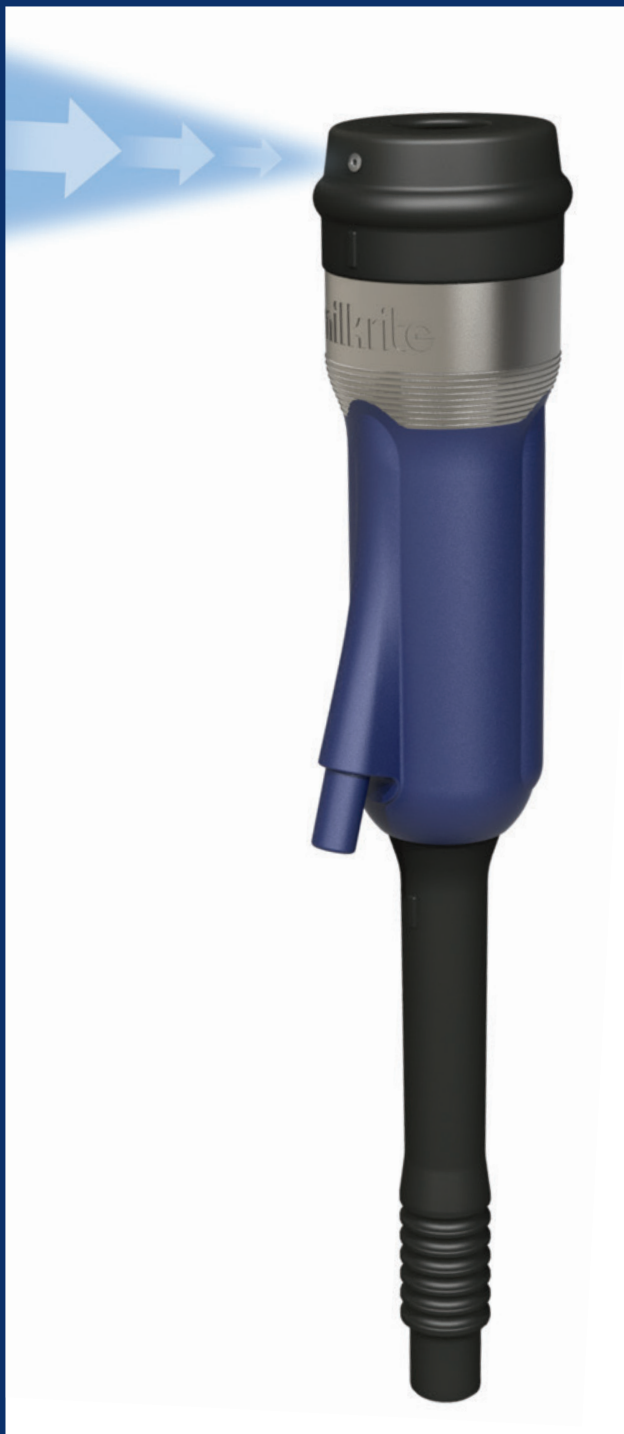
- Reduced somatic cell count on all farms
- Reduction in clinical mastitis (udder inflammation characterised by visible abnormalities in the udder or milk) in over 50% of the farms
- Reduction in teat damage on all farms
- Reduction in teat-end hyperkeratosis, which is a thickening of the skin that lines the teat canal and surrounds its external opening, on all farms

'Our customers feel the difference'

We want our customers to receive more. With improved milking efficiency, improved teat health and superior on-farm performance, we generate value for our customers through our products, support and advice. We want to satisfy our customers' needs and demands and give them a positive experience whenever they work with milkrite.

impulseair® IP20 Range

The Next Generation



At milkrite® we believe in thinking differently; challenging the status quo to develop innovative products which improve on-farm milking efficiency, providing practical benefits for the farmer. Our belief in research and innovation shapes our product development.

This year we were presented with the 2013 Prince Phillip Award, for the most practical, relevant and best-presented technical exhibit/demonstration at the Livestock dairy exhibition. This is industry recognition of how our innovative products are improving on-farm milking performance.

The impulseair® IP20 range of liners is a revolutionary product that enables on-farm performance that no other conventional liner can match. Widely recognised around the world for its innovative approach to liner design, Milkrite's IP20-AIR has been designed with high-yielding herds in mind. It features a narrow bore which helps reduce liner slip, increase milking speed and delivers a gentler automatic cluster removal.

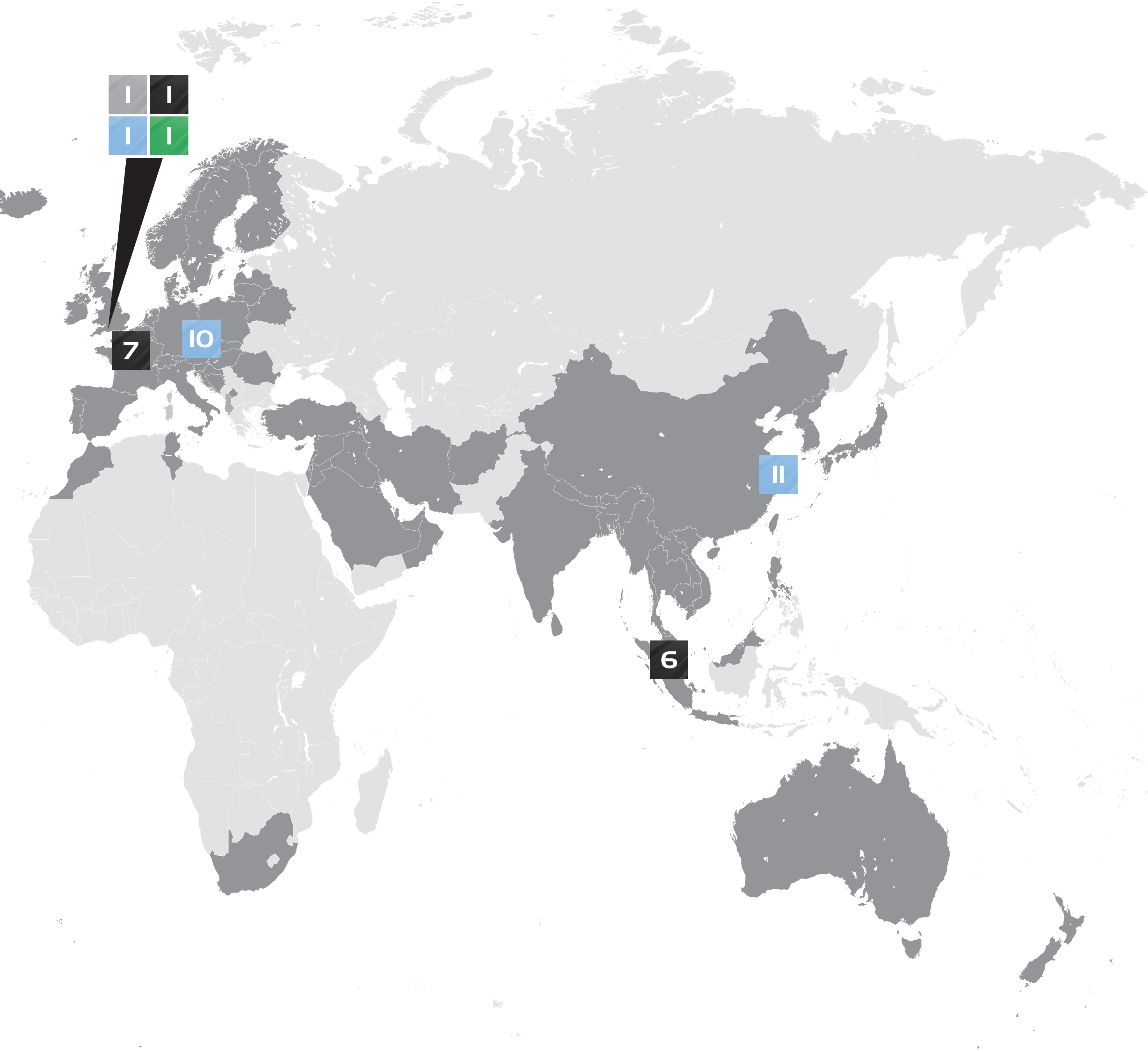
This is a great example of our innovative pedigree and is supported by independent third party tests, confirming the additional benefits that provide comfort to the cow, through the continuous long-term use of Milkrite products on the farm.

impulseair® IP20 Range

The impulseair® IP20 range also comes with new shells and weights specially designed to fit the new liners. Ergonomic and lightweight in design, the new Impulse shell and weights facilitate improved handling.

Global investment

1	**AvonRubber p.l.c.** Corporate Headquarters Melksham, UK		
1	**Avon Protection** Melksham, UK		
1	**Avon Dairy Solutions** Melksham, UK	6	**Avon Protection** Kuala Lumpur, Malaysia
1	**ARTIS** Melksham, UK	7	**Avon Protection** Brussels, EU
2	**Avon Protection** Cadillac, MI	8	**Avon Dairy Solutions** Johnson Creek, WI
3	**Avon Protection** Baltimore, MD	9	**Milkrite** Modesto, CA
4	**Avon Protection** Atlanta, GA	10	**Milkrite** Rudnik, Czech Republic
5	**Avon Protection - AEF** Picayune, MS	11	**Milkrite** Shanghai, China



Agents and Distributors

AVON PROTECTION 229

milkrite® feel the difference 885

Distribution countries

Chairman's Statement

"2013 has delivered strong results and the investments we have made have started to bring innovative new products and technologies to market. We are well positioned to achieve further growth"

David Evans, Chairman, Avon Rubber p.l.c.

34%
INCREASE IN DILUTED EPS

Introduction

I am pleased to report that the implementation of our strategy has delivered exceptionally strong growth in 2013.

We have recorded significant increases in revenue, operating margins, profits and earnings per share. Revenue increased by 17% to £124.9m (2012: £106.6m), operating margins have increased by 0.5% to 11.4% with an operating profit of £14.2m (2012: £11.6m) and diluted earnings per share were up 34% at 34.0p (2012: 25.4p).

In addition to the good financial performance, we have continued to make strategic progress in 2013. Last year I told you that after three years of 'turnaround', the Board implemented a strategy to accelerate investment in new products, technologies, systems and people. In Protection & Defence this has meant reducing our reliance on US Department of Defense (DOD) expenditure through increased access to the North American first responder market, greater focus on growing global markets, in particular the Middle East, and significant investment in broadening our product offering. In Dairy we are developing technologically superior new products, building our Milkrite brand to reduce dependence on our Original Equipment Manufacturer (OEM) customers and expanding into rapidly developing new markets. This phase of Avon's development, commenced in 2012, is already delivering a more robust business model and has contributed to the growth this year. With the first new product approvals being granted in the second half of our 2013 financial year we are well positioned to see the financial benefit of these continuing investments in our 2014 financial year and beyond.

£11m
INVESTMENT IN NEW PRODUCTS & INFRASTRUCTURE

In Protection & Defence, our order intake totalled £77m with increased orders from Rest of World and non-DOD customers. Our long-term contract with the DOD is now in its sixth year. We supplied 223,000 M50 mask systems during the year (and have supplied nearly 1,050,000 systems in total) and enter 2014 with an order book covering the first quarter of the year, with follow-on orders expected in the first quarter. As explained in previous Annual Reports, the consumable filter business has less visibility, but we enter 2014 with orders for 80,000 pairs of filters which cover the first quarter. Whilst uncertainty remains in the US regarding budget cuts and sequestration, initial DOD budget proposals for 2014 and beyond indicate an increase in spend on our long-term contract. This, together with the fact that we are an established programme, delivering to schedule and with the largest user, the Army, having just started taking our product, gives us a reasonable degree of comfort.

During the year we won a significant design, development and testing contract with the DOD, under the Joint Service Aircrew Mask (JSAM) programme, to develop and test a variant of our special forces M53 mask, to be known as the MM53 type 2, to provide respiratory protection to a wide range of operators on the DOD's fleet of fixed wing aircraft. This $6.7m development contract will take 2 years and should lead to a production contract which could be worth up to $74m. In addition to this success, which takes us into the aerospace arena, we also made a small rebreather technology acquisition in the military underwater diving market. The integration of this business is progressing well and recent development contract wins provide confidence that this will create further opportunities for growth.

The non-DOD side of the business includes the North American first responder market and the Rest of World military and law enforcement market. Both markets are currently being driven by an increasing need to provide improved protection against growing global CBRN threats as recently seen in the Syrian chemical weapons attack.

In the US, while budget pressures certainly exist, we offer the respirator of choice for law enforcement which enables us to displace incumbent product and grow our market share in particular as less effective equipment procured post 9/11 is replaced. Competition is more intense in the fire market, but we expect that our investment in an upgraded SCBA product meeting new industry regulatory standards will create enhanced opportunities in 2014 and beyond.

In Rest of World markets, again we are the CBRN respiratory protection provider of choice and we continue to build business, particularly in the Middle East. The timing of end-user procurement remains difficult to predict, but we enter 2014 with a strong non-DOD order book of £16m for delivery in 2014.

Our proven ability to convert profit into cash has enabled us to continue investment in our innovative new product development programmes, laying the foundation for further growth. During 2013 we have invested in new products and technologies and operational improvements. Our programme to expand and enhance our product range (Project Fusion) remains on track with the first new products receiving regulatory approval in 2013 and a pipeline of further products submitted for approval which should allow further product launches in our new financial year.

In Dairy, revenues have fallen slightly, as we become less dependent on OEMs and continue to grow our own Milkrite branded products, with increased Milkrite sales in our established North American and Western European markets and the rapidly emerging Chinese market offset by a planned decrease in revenues from our OEM customers.

Market conditions have also been difficult with farmer margins under pressure from the combination of lower milk prices and higher feed costs. Milk price movements tend to be cyclical and feed prices are driven by the crop harvest and the level of demand from alternative uses for crops such as biofuels. The combination of these factors leads to farmers extending the use of our consumable product, resulting in lower market demand.

In recent years the business has demonstrated through the launch of its Impulse Mouthpiece Vented Liner (now branded ImpulseAir) that the industry is receptive to new technology which improves farm efficiency and animal health, with our proprietary product now enjoying a 19% market share in the US. Only three years ago OEM customers represented 47% of our revenue; at the end of this year this has fallen to 34%, reflecting the success of the Milkrite brand.

This success has given us the confidence to invest further in product development resource and to commence work on the next generation of products. The first example of this, our cluster exchange service, was successfully launched in the key Californian market late in the financial year and will be rolled out to the rest of the US and Europe in 2014. Under this programme farmers effectively outsource to us their liner change process, which we deliver through service centres which have been established in our existing facilities, with the support of our dealers and third-party logistics specialists.

We have also identified the opportunity that exists in emerging markets, especially in Brazil, Russia, India and China (the BRIC nations), where the growing demand for food and the expanding middle class has led to an increase in demand for dairy products, driving demand for our consumable product. We established a sales and distribution facility in China during 2012 and added sales resource in Eastern Europe, Brazil and India during 2013.

We are also investing £2m across the Group in upgrading our IT systems. The Group selected Sage X3 in 2012 and the first site went live successfully in 2013, with the remaining sites to follow in 2014 and 2015. This will deliver a single Group-wide ERP infrastructure to provide better business integration and support our growing global business.

We have been able to make this investment because of our strong cash conversion during the year with operating cash flow at 114% of operating profit reflecting the efficient management of our businesses. Despite the £11m investment in fixed assets and development expediture we ended the year with net debt of only £10.9m (2012: £8.7m). Our balance sheet is robust and, with long-term funding in place, the Group has the debt capacity to support further organic and acquisitive growth.

Group results

Revenue increased by 17% to £124.9m (2012: £106.6m) with Protection & Defence up 25% to £93.2m (2012: £74.6m) due to growth in sales to the DOD, non-DOD sales, and AEF sales. Dairy was down 1% to £31.7m (2012: £32.1m).

Operating profit before depreciation and amortisation (EBITDA) rose 22% to £20.0m (2012: £16.4m) and operating profit rose 22% to £14.2m (2012: £11.6m).

Although volatile during the year, foreign exchange translation has not had a material impact on the Group's results in 2013 with the US $/£ average rate being $1.56 (2012: $1.58).

Operating profit in Protection & Defence grew strongly to £11.0m (2012: £7.5m) reflecting the revenue growth in non-DOD markets and improved operational performance. Dairy operating profit fell 13% to £5.2m (2012: £6.0m) reflecting difficult markets in the US and Europe together with a planned increase in the overhead base as we invested in strengthening our infrastructure to position the business for further growth.

Interest costs were £0.3m (2012: £0.2m) reflecting the higher levels of average net debt during the year.

The Group effective tax rate fell from 29% to 27% due to a more favourable geographic mix of profits to give a profit for the year of £9.6m (2012: £7.8m) which equates to earnings per share of 35.4p (2012: 26.9p). On a fully-diluted basis earnings per share rose 34% to 34.0p (2012: 25.4p).

Chairman's Statement

Net debt increased to £10.9m (2012: £8.7m), reflecting the high level of investment made in the year. Committed bank facilities of £23.9m run to 30 March 2015.

Dividend

Based on the Group's improved profitability, cash generation and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 20% increase in the final dividend to shareholders of 2.88p per ordinary share (2012: 2.4p). This, combined with the 2013 interim dividend of 1.44p, makes a full year dividend of 4.32p (2012: 3.6p), up 20%.

Employees

We have challenged our employees to develop significantly over the last few years. This has been required to support the Group's progression from a traditional manufacturing business to a customer and technology driven, sales and marketing led organisation. As we progress, we are succeeding in creating a culture of innovation to ensure the Group is able to take full advantage of opportunities in developing new technology and new markets while maintaining the manufacturing excellence for which the Group is so highly regarded. We recognise that this is not an easy process but our people have continued to respond positively and I thank all of them for this on behalf of the Board.

Opportunities

Over recent years we have successfully focused the business in our chosen areas of Protection & Defence and Dairy, realigned our cost base and dealt with a number of legacy issues. The nature of our challenge has changed with management now firmly focused on growth and margin enhancement, which is clearly reflected in the 2013 results.

Looking forward we see that the global leading positions we already have in our markets are delivering strong financial results as well as further opportunities for growth. We continue to invest in innovative new technologies and products and in building our brand and market reach to bring these opportunities to fruition as well as to identify acquisitions where our skills can create synergistic benefits.

Board changes

After retiring as Chairman in February 2012, the Rt. Hon. Sir Richard Needham remained as a Board Director to ensure a smooth transition but retired from the Board at the Annual General Meeting on 7 February 2013. I would like to express my sincere thanks to Sir Richard for his significant contribution to the success of the Company during his tenure.

I am delighted that Richard Wood joined the Board on 1 December 2012. Richard retired as Chief Executive of Genus p.l.c. in 2011 having led their expansion into new markets over the previous decade. Richard has brought substantial experience of the industry in which our Dairy business operates and has proved to be a valuable addition to the Board.

Outlook

We expect to make further progress in both our Protection & Defence and Dairy divisions in 2014 as our clear strategic direction takes further effect.

In our global Protection & Defence business, we are the technology leader and we are continuing to invest in people and products to maintain and improve our market leadership. Our lean cost base has helped to deliver substantial profit growth in the weak economic environment that has prevailed since 2008. We will continue to benefit from the security of the long-term DOD contract which is now supported by an increased market share in the US first responder and foreign military and law enforcement markets.

The Dairy business is well positioned in a market with long-term growth potential and improving short-term market conditions. After a year of investment in business development our potential for growth is strong. The cost base of this business is appropriately sized and there will be opportunities to enhance profitability through development of the strong Milkrite brand through our global distribution capability, augmented by new product and service offerings.

D R Evans

David Evans
Chairman
20 November 2013

Strategic overview

Group objectives

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

Business overview

Thr Group has transformed itself over the past five years into an innovative design and engineering group specialising in two core business markets, Protection & Defence and Dairy. With a strong emphasis on research and development we design, test and manufacture specialist products from a number of sites in the US and UK, serving markets around the world. We achieve this through nurturing the talent and aspirations of our staff to realise their highest potential.

Avon Protection is the recognised global market leader in advanced CBRN respiratory protection systems for the world's military, homeland security, first responder, fire and industrial markets. With an unrivalled pedigree in mask design dating back to the 1920s, Avon Protection's advanced products are the first choice for PPE users worldwide and are placed at the heart of many international defence and tactical PPE deployment strategies. Our expanding global customer base now includes military forces, civil and first line defence troops, emergency service teams and industrial, marine, mineral and oil extraction site personnel. All put their trust in Avon's advanced respiratory solutions to shield them from every possible threat.

Our world-leading Dairy business and its Milkrite brand have a global market presence. With a long history of manufacturing liners and tubing for the dairy industry, Milkrite has become the leading innovator and designer for products and services right at the heart of milking.

Our goal is always to improve and maintain animal health. Working with the leading scientists and health specialists in the global industry, we continue to invest in technology to further improve the milking process and animal welfare. Our products provide exceptional results for both the animal and the milker, making the milk extraction process run smoothly. As our market share and milking experience continue to grow, so does our global presence.

Group strategy

We have two strategic priorities at Group level:

- Expanding our Protection & Defence business in military and first responder markets globally; and
- Developing our Dairy operation through its Milkrite brand in traditional and emerging markets with both existing and innovative new products.

We measure progress against our strategic priorities by reference to our financial performance (as shown on page 1) and a broader set of key performance indicators (KPIs) which are shown on pages 24 to 25.

Strategic Report

Protection & Defence strategy

We have a world-leading range of military respirators, developed over many years and funded partially by our customers, where we own 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 to, and further contracts with, other governments. Our range of filters and capacity for filter manufacture is increasing. Developing through-life revenues with greater consumable sales and service revenue is also a prime objective. Our status as a prime contractor to the DOD, which regards us as experts in our field, brings further development opportunities in other areas of respiratory protection. We believe that our expanding product range and customer base, together with our credibility and development expertise, will put us in a 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 initially demonstrated with the ST53 product. We aim to increase our range of modular 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 helmets and suits will provide further integrated solutions to our customer base. These developments will primarily be through organic growth in the short term although the Group's strengthened balance sheet now enables the acquisition of complementary technologies such as the acquisition of VR Technology Holdings in 2013.

Strategic imperatives for success in Protection & Defence

Leverage our relationship with the DOD to aid and facilititate next generation products for commercialisation.	Ensure customers and stakeholders recognise the Avon brand as synonymous with advanced CBRN / respiratory protection.
Develop a global operating platform to support business demands.	Maximise profitable growth through new business development and products.
Create stable organic growth by ensuring our core products exceed customer expectations.	Attract, retain and develop our employees.

ONE MASK, TWO MODES, SEAMLESS PROTECTION

HMK150 is a revolutionary Helmet Mask Kombination system specifically designed for CBRN respiratory protection and riot control, combining two cutting edge products.

Based on the widely-deployed 50 Series mask platform, the HM system brings the pedigree of a face mask proven for use in the harshest environments.

Dairy strategy

Our strategy for long-term sustainable profit growth is to continue to grow our market-leading Milkrite brand in the US and to replicate that position in our European business. We are also investing in opportunities in developing markets such as China, Brazil, India, Russia and Eastern Europe to expand our global distribution capability to deliver growth in the longer term and we are expanding our in-country sales network around the world. Following its opening in February 2012, our sales and distribution facility in China has seen significant growth. Innovative new product and service offerings and continued world-class low-cost manufacturing excellence should enable this business to sustain continued growth, profitability and cash generation.

Strategic imperatives for success in Dairy

Expansion of our product range.	Expansion of in-country sales presence.
milkrite® brand development and positioning.	Expansion of distribution and dealer network.
Leverage the benefit of our world class manufacturing operations.	Attract, retain and develop our employees.

2013 PRINCE PHILIP AWARD

The 2013 Prince Philip Award was presented to Milkrite in recognition of the company's continued research, development and innovation in respect of the introduction of the new IP20-AIR liner, which is aimed at bringing health and productivity benefits to dairy cattle.

Group business model

Our management structure is decentralised and decision-making is delegated to the appropriate executive team. Our Board manages overall control of the Group's affairs and is responsible for delivering the Group's overall objective of generating shareholder value through developing new products and serving global markets that can deliver long-term sustainable revenues at higher than average margins. The Group Executive team which comprises the Executive Directors and three key members of our senior management team is responsible for assisting the Chief Executive in implementing our strategy and the day-to-day management of the Group. This team is supported by three executive teams, covering Protection & Defence, Dairy and Business Development.

Protection & Defence business model

Markets

Our respiratory protection products are sold direct to military markets where our primary customer is the DOD (Army, Navy, Marines, Coastguard and Air Force) as well as a number of approved governments globally. Other significant markets are categorised under the first responder banner and include the police and other emergency services and are addressed either directly or through distribution channels. 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.

US DOD

We have a long-term sole-source contract with the US DOD for the supply of mask systems. Our products have earned a reputation for quality and comfort and the business was recently awarded a DOD $6.7m aircrew development contract.

FIRE

We provide a total solutions option, manufacturing a broad portfolio of high-performance, timesaving respiratory personal protection equipment as well as thermal-imaging cameras that employ the most advanced features in the fire-service industry.

OTHER MILITARY LE & FR

Orders for our respiratory protection products from foreign military, law enforcement (LE) and first responder (FR) customers have continued to grow, demonstrating that we are delivering results from our investment strategy.

AEF

We continue to provide the US Army and Navy with hovercraft skirting assemblies. We also have a number of US and foreign military contracts supplying a wide range of collapsible storage tanks for static fuel and water storage with applications from the deserts of Iraq and Afghanistan to the polar arctics.

Products

Our Protection & Defence business consists of a growing range of respiratory products. The main products are respirators or gas masks (product names M50, C50, ST53, M53 and FM12) together with a range of spares and accessories; the CE-approved emergency hood (EH20) and NIOSH-approved emergency hood (NH15); and SCBA (primarily the Z7 and Deltair product ranges). We can also manufacture the consumable filters used by these products and thermal-imaging camera equipment. 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 also have a flexible fabrications business which manufactures fuel and water storage tanks and hovercraft skirts.

Our product development programme, Project Fusion, combines the skills and expertise of our design and engineering teams to

M50

The most advanced general service respiratory protection mask to date, offering advanced comfort, usability, operational effectiveness and protection.

M61

Pioneering conformal filter technology for closer integration and designed with bayonet quick fit for use only with the M50 mask.

C50

Developed using the same platform as our M50 based US military mask. The innovative design features optimise the user's time in the operational arena for CBRN protection in law enforcement or counter terrorism operations.

MILCF50

The filter has a unique conformal shape providing a low profile close fit with the mask. The filter design minimises snag and pull hazards as well as a reduction in neck loading.

ST53

One system for all missions combining the FM53 mask technology with an advanced modular breathing apparatus for specialist operations.

AEF

Offering design and manufacture of tanks, containers and other air-supported rubber structures.

NH15

The smallest NIOSH-certified CBRN air purifying escape respirator on the market ideal for police, emergency medical services and fire officers seeking immediate or emergency respiratory protection in a CBRN scenario.

DELTAIR

As the firefighting industry's first new SCBA innovation in years, Deltair offers superior air management, single power supply, clearer communication and optimal weight distribution for firefighters and other first responders.

Product development

produce a modular personal protection system comprising smaller modules with multiple functionalities that can be combined or used independently in different threat scenarios.

We launched the first components of this system in 2013:

- AvonAir, our new range of Powered Air Purifying Respirators (PAPRs) (NIOSH-approved, compact, battery-powered modular airflow units which reduce breathing resistance).
- Extending our own range of filters. The M61 filter supplied to the DOD provides CBRN protection to the US warfighter. We have extended our range of NIOSH and CE-approved filters to cover a wider variety of threat scenarios for military and LE users. The first NIOSH product approval was received late in 2013 and further approvals are expected in 2014.
- Deltair, our new fire service offering, designed to meet the new 2013 NFPA standard, was first shown at the major US fire show in April 2013 and was well received. The product is currently in the NIOSH certification and approval process and is expected to be approved for sale during the first half of our 2014 financial year.
- Further development activity is also expanding our respiratory product offering into the aerospace market (with an aircrew version of our existing M53 respirator) and the underwater diving market through a variety of breathing and monitoring technologies.

We expect this modular approach to further extend our market reach into the military, law enforcement and first responder protective equipment market.

FUSION

Future System Integration

Avon's PC50 respirator, derived from our successful C50 respirator, is specifically designed for the correctional facility market. PC50 has been awarded NIOSH certification. It also combines with our EZAir powered air blower for which approval is expected in early 2014.

The Deltair is our new fire service SCBA product designed to meet the new NFPA 2013 standard and incorporates Avon's military pedigree in design and quality as a result of extensive investment in research.

We were awarded NIOSH certification for our own MiLCF50 unique conformal filter. Avon's own range of filters creates the opportunity to win new business and increase margins as we become less dependent on third party suppliers.

Our plans to launch FM54, our law enforcement SCBA and the remaining components of our modular personal protection equipment system remain on track for the 2014 financial year.

PRODUCT DEVELOPMENT

We have been awarded a $6.7m sole-source contract as part of the DOD's strategy to provide its aircrew community with upgraded CBRN respiratory protection equipment under the JSAM-FW programme.

Rebreather technology capability has been greatly expanded with our development of an Emergency Escape Breathing Device (EEBD) which forms part of a US DOD Navy bid this year.

In April 2013 Avon acquired VR Technology Holdings who bring high level capability in underwater breathing equipment which we believe we can target at military users. This acquisition has already proved fruitful with two new contracts won.

Dairy business model

Markets

Our Dairy business designs, manufactures and sells products and services used in the automated milking process, primarily rubberware such as liners and tubing. These consumable products come into direct contact with the cow and are replaced regularly to ensure product hygiene, animal welfare and to maximise milk quality. Our customer base is split between OEM customers and customers buying our own brand Milkrite products.

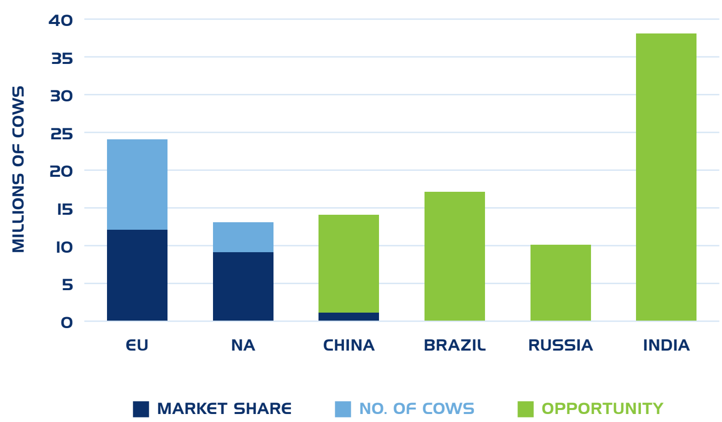
The global market is concentrated in high consumption automated markets in North America and Western Europe where we have significant market shares. Potential exists outside these traditional markets, in particular in China, India, Russia, Eastern Europe and South America, all of which are currently experiencing rapidly increasing demand for dairy products which is being satisfied through mechanised milking. During 2012 we established our first sales and distribution facility in Shanghai to enable us to service the Asian market more efficiently.

US
- Our Milkrite brand has established a 37% market share
- ImpulseAir has 19% share of the market

CHINA
- Contracts secured with China's largest milk suppliers and distributors Mengui and Yili
- Dealer network established

EU
- Milkrite market share is increasing
- Investment made in sales resource

OTHER MARKETS
- We now have sales resource in India, Brazil and Eastern Europe which will allow further opportunity for growth



Products

Our products are manufactured for major OEMs as well as being sold through distributors under our own Milkrite 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 Milkrite brand, enhancing the farmer's view of Milkrite as the primary technical solutions provider in this area. The success of the innovative Milkrite Impulse Mouthpiece Vented Liner, ImpulseAir, continues and this product has claimed a 19% market share in the US since its launch in 2010.

Milkrite liners

Milkrite's Impulse and ImpulseAir (previously Impulse Mouthpiece Vented Liner) range provides triangular liners designed for less slip and improved animal health benefits in their own unique interlocking anti-twist shell design. ImpulseAir takes innovation one step further using a unique air flow to draw the milk away quickly. Milkrite's ULTRALINER LT and TLC offer value for money and the latest in technological innovation.

Milkrite tubing

Milkrite Ultraclean dairy tubing is the first to combine a smooth sanitary interior surface with a durable, flexible rubber exterior which is chemically cross-linked, resulting in long-lasting tubing that will clean better and maintain milk purity like no other product on the market today.

OEM liners and OEM tubing

We manufacture liners and tubing for milking machine manufacturers.

Product development

We have invested considerably in product development resource.

Our cluster exchange programme, recently launched in the US, means Milkrite is a complete solution provider, saving farmers time on low-value tasks, securing our relationships with our customers and managing the change cycle. Further opportunities are available for this exciting concept.

The ImpulseAir IP20 range of liners is a revolutionary product that enables on-farm performance that no other conventional liner can match. Widely recognised around the world for its innovative approach to milking machine and liner design, Milkrite's IP20-AIR has been designed with high-yielding herds in mind.

NEW ERP SYSTEM LAUNCHED IN JOHNSON CREEK

We are investing £2m across the Group in implementing a new global Enterprise Resource Planning (ERP) system. The first site, Avon Dairy Solutions in Johnson Creek, went live successfully in 2013. The team is enjoying the benefits of the new system which has streamlined many existing procedures and allows real-time data capture using tablets and barcode scanners.

PHOENIX

Business review – the year under review

Group performance

Avon has delivered a strong set of financial results, building on the substantial financial and operational progress delivered in the previous four years. The growth in revenue and profitability, which has stemmed from the investments made in sales and marketing resource in previous years, has enabled the Group to continue to invest in product development to position itself to deliver further growth in the future.

The Group's key achievements in 2013 have been:-

- **EBITDA growth of 22% to £20.0m**
- **Operating profit growth of 22% to £14.2m**
- **Operating margins improved by 0.5% to 11.4%**
- **Profit before tax up 27% to £14.0m**
- **Diluted earnings per share up 34% to 34.0p**
- **Dividend increase of 20% to 4.32p reflecting business growth and confidence**
- **Cash generated from operating activities of £15.3m, representing 114% of operating profit**
- **In Protection & Defence, increased non-DOD order intake**
- **Award of $6.7m DOD JSAM design, development and testing contract**
- **Market share of newly introduced ImpulseAir (mouthpiece vented liner) reached 19% in the US**
- **Investment of £6.4m in new products and new markets**

NOTE: The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items and the amortisation of acquired intangibles. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

All profit and earnings per share figures in the Chairman's Statement and this Strategic Report relate to adjusted business performance (as defined above) unless otherwise stated.

A reconciliation of adjusted measures to non-adjusted measures is provided below:-

	Non-Adjusted	Adjustments	Adjusted
Group EBITDA (£m)	19.6	0.4	20.0
Group Operating profit (£m)	13.4	0.8	14.2
Group Profit before Taxation (£m)	13.2	0.8	14.0
Group Profit for the year (£m)	9.6	0.8	10.4
Basic Earnings per Share (pence)	32.7p	2.7p	35.4p
Diluted Earnings per Share (pence)	31.4p	2.6p	34.0p
Protection & Defence EBITDA (£m)	15.7	0.4	16.1
Protection & Defence Operating profit (£m)	10.2	0.8	11.0
Dairy EBITDA (£m)	5.8	-	5.8
Dairy Operating profit (£m)	5.2	-	5.2

The adjustments, both of which relate to Protection & Defence, comprise:
- amortisation of acquired intangibles of £0.4m
- exceptional items relating to the relocation of the AEF facility of £0.4m

Further details are provided in note 3 of the financial statements.

Results

Avon has made considerable progress during 2013. Revenue increased by 17.1% to £124.9m (2012: £106.6m) with Protection & Defence up 24.9% from £74.6m to £93.2m and Dairy revenues down 1.0% from £32.1m to £31.7m. Operating profit increased to £14.2m (2012: £11.6m) and earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA) were £20.0m (2012: £16.4m). This represents a return on sales (defined as EBITDA divided by revenue) of 16.0% (2012: 15.3%). After net interest and other finance costs the profit before tax was £14.0m (2012: £11.0m). After tax, the profit for the year was £10.4m (2012: £7.8m).

Finance expenses

Net interest costs increased to £0.3m (2012: £0.2m) reflecting the investments made in acquisitions, facilities and product development throughout the year. Other (non-cash) finance expenses associated with the Group's UK retirement benefit scheme and the unwinding of discount rates on provisions were £0.1m income (2012: £0.4m expense).

Taxation

The tax charge totalled £3.6m (2012: £3.2m) on a statutory profit before tax of £13.2m (2012: £11.0m). In 2013 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 was 27% (2012: 29%). In 2013 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 amounted to £2.8m (2012: £3.8m).

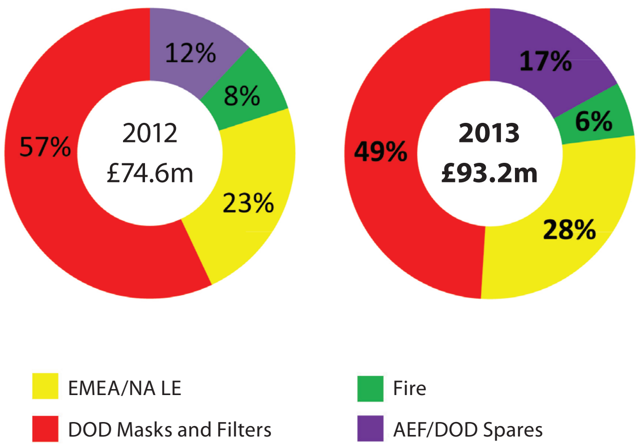
Earnings per share

Basic earnings per share were 35.4p (2012: 26.9p) and diluted earnings per share were 34.0p (2012: 25.4p).

Segmental performance

Protection & Defence performance

Protection & Defence represented 75% (2012: 70%) of total Group revenues. The business saw revenues rise by 24.9% from £74.6m to £93.2m due to growing commercial mask and filter sales and orders won by AEF, the division's flexible fabrications business. Our strong manufacturing capability and existing capacity allowed us to quickly meet this increase in customer demand.



VR TECHNOLOGY

We have acquired the business and assets of VR Technology Holdings, a market leader in diving rebreather systems and dive computers.

Military diving is changing and becoming more technology based as mission requirements extend. Avon will be at the forefront of this change.

Sales of mask systems and filter spares to the DOD increased from £42.6m to £45.2m, despite the uncertainty and delays associated with the US budget process. We delivered 223,000 mask systems and 429,000 pairs of filter spares, compared with 193,000 mask systems and 520,000 pairs of filter spares in 2012. We have orders in hand to deliver 40,000 mask systems and 80,000 pairs of filter spares in early 2014 and, as part of our 10 year sole-source contract to supply the DOD with mask systems, we expect further orders as 2014 DOD budgets are released in the first quarter of the new financial year.

Mask Systems

While DOD sales have grown in monetary terms, they are a lower proportion of the division's sales as, in line with our strategy, we have successfully grown our non-DOD sales. Sales to US law enforcement and non-US military and law enforcement increased from £17.2m to £25.0m as a result of higher order intake in 2013 as we are seeing the benefit of the increased sales and marketing resource added in prior years. Positive order intake in the second half of the year results in non-DOD orders in hand of £16.4m, all of which are for delivery in 2014.

Fire sales have remained flat due to challenging market conditions as purchasers put procurement decisions on hold pending release of the new NFPA standard. The release of our new Deltair SCBA product designed to meet these new regulations in the US, and to enhance operational performance, provides an opportunity in this market for 2014.

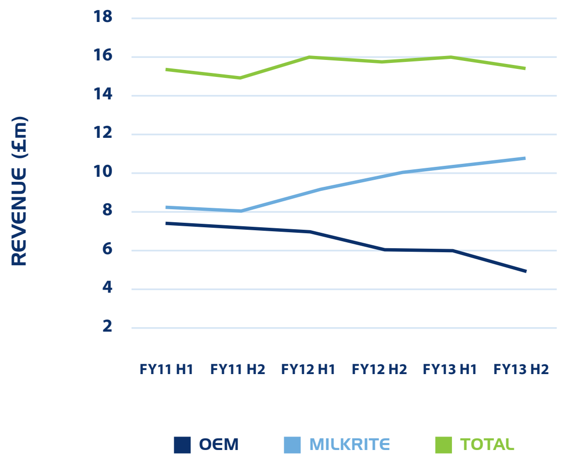
AEF and DOD spares have grown this year, and whilst contributing to profit, these are margin dilutive at a divisional level. AEF, which has been a historically volatile business, won hovercraft skirt and fuel and water storage tank business which was largely supplied during the year. This allowed AEF to increase its revenue by £4m and contribute £1m to divisional operating profit.

Operating profit increased 47% to £11.0m (2012: £7.5m) and EBITDA was £16.1m (2012: £11.6m), representing a return on sales (as defined above) of 17.3% (2012: 15.6%). This reflects a richer mix of non-DOD sales and progress on reducing operational costs, slightly offset by continued investment in the infrastructure of the business.

Dairy performance

Dairy revenues fell 1% to £31.7m (2012: £32.1m) and operating profit decreased by 13.4% to £5.2m (2012: £6.0m). EBITDA was £5.8m (2012: £6.5m), giving a return on sales (as defined above) of 18.4%, down from 20.3% in 2012.

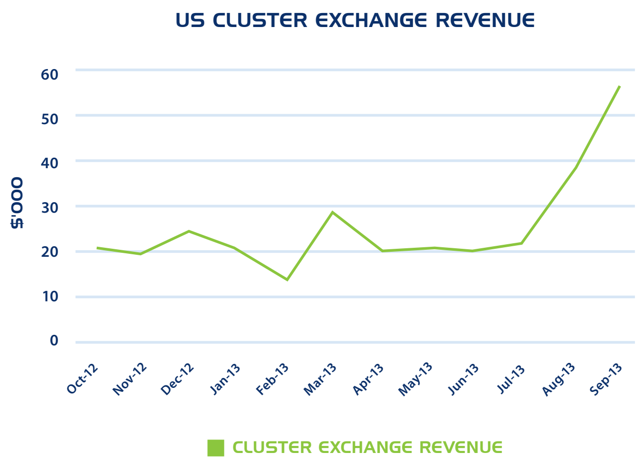
Market conditions have been a significant headwind in 2013. Farmer margins have been under pressure from the combination of lower milk prices and higher feed costs. Milk price movements tend to be cyclical and feed prices are driven by the crop harvest and the level of demand from alternative uses for crops such as biofuels. The combination of these factors has led farmers to extend the use of our consumable product, resulting in lower sales volumes. These cyclical trends are expected to correct themselves as the long-term demand for milk products continues to grow, especially in emerging markets.

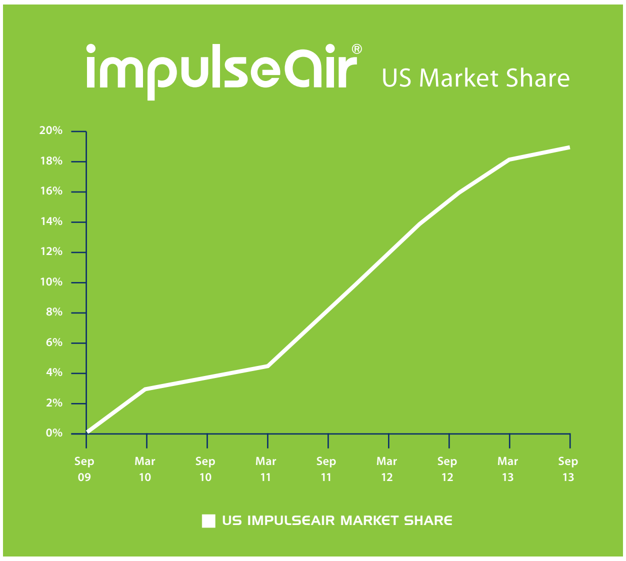


Milkrite product market share has continued to grow in our traditional markets of North America and Western Europe. We have seen OEM revenues decline as a result of increases in Milkrite revenues and as our OEM customers review their procurement strategies in what has been a challenging market and in some cases they have chosen to insource or dual source part of their product range.

In line with our strategy, our higher-margin own brand Milkrite is becoming a larger proportion of our business.

In the US, our premium innovative ImpulseAir vented liner product ended the year with a 19% market share, an increase of 3% on the prior year.





The launch of our ground-breaking new cluster exchange service in California in the final quarter was successful and will provide the opportunity for further growth in 2014 as it penetrates the key Californian market and is launched in the mid-West. This service benefits the farmer by reducing liner change time, permitting higher utilisation of capital equipment. For the Group this results in a higher and repeatable revenue stream and a launch platform for future new products.

In Europe we have invested in our sales resource which enabled us to launch ImpulseAir in this market in the second half of 2013, establishing a 1% market share by the end of the year. We also plan to expand our cluster exchange service into Europe in 2014.

Our China sales and distribution facility, opened in February 2012, has delivered spectacular growth, albeit from a low starting point. We have secured contract awards from the two large milk processors, Yili and Mengnui, and have developed a network of dealers. The Chinese government continues to invest in a dairy infrastructure and this, together with the long-term growing demand for milk products, means we are well positioned in this market.

The profitability of the Dairy division has been impacted by a number of factors in 2013. On the positive side, the growth in Milkrite as a proportion of total revenue provided a richer sales mix. This was offset by the softer traditional markets being replaced by sales in China, the investment in sales resource in Europe, investment in a product development team and the full year effect of the cost base of our Chinese operation.

MODERN DAIRY GROUP

We have started to approach the leading Chinese farms, who are adopting the latest milk extraction techniques and are delighted to announce the Modern Dairy Group has converted their farms to ImpulseAir liners.

Group position

Net debt and cashflow

Net debt at the year end was £10.9m (2012: £8.7m). Total bank facilities were £23.9m, the majority of which are US $ denominated and all are committed to 30 March 2015.

In the year we invested £11.1m (2012: £9.5m) in property, plant and equipment and new product development. In the Protection & Defence business this focused on our new product development programme, Project Fusion, and on purchasing a building for AEF, which was prompted by the expiry of the lease of its previous premises. In Dairy we invested in the development of our cluster exchange service offering.

Operating activities generated cash of £15.3m (2012: £14.7m), representing 114% of operating profit (2012: 127%). Receivables at 30 September 2013 were higher than the previous year due to the busy final quarter, particularly in Protection & Defence, and this resulted in an increase in the ratio of trade working capital to revenue to 20.8% (2012: 19.0%).

UK retirement benefit obligations

The balance, as measured under IAS 19, associated with the Group's UK retirement benefit obligation, which has been closed to future accrual, has moved from a £2.2m deficit at 30 September 2012 to an £11.3m deficit at 30 September 2013. This movement has resulted from an increase in the inflation assumption derived from real and normal gilt yields. As market expectations of inflation have risen this has not been offset by an equivalent increase in the discount rate because IAS 19 specifies the use of AA corporate bond (rather than gilt) yields to set the discount rate and these rates are unchanged at 30 September 2013.

The last triennial actuarial valuation took place on 31 March 2011. That valuation showed the scheme to be 98.4% funded on a continuing basis and the Company reached an agreement with the Trustee on future contributions to address the deficit.

During 2013, the Company paid total contributions of £0.6m. Annual deficit recovery contributions will reduce to £0.3m for 2014 to 2016. In addition the Company will contribute £0.2m towards scheme expenses.

114%

OPERATING PROFIT CONVERTED TO CASH

Research and development

Intangible assets totalling £16.5m (2012: £13.3m) 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 (2012: £1.6m).

Our total investment in research and development (capitalised and expensed) amounted to £6.4m (2012: £6.6m) of which £2.1m (2012: £1.4m) was customer funded and has been recognised as revenue.

In Dairy we have started to expand our product range under the Milkrite brand beyond liners and tubing into non-rubber goods such as liner shells and claws.

We expect to begin to see the benefits of these efforts, which underpin the long-term prosperity of the Group, during our 2014 financial year.

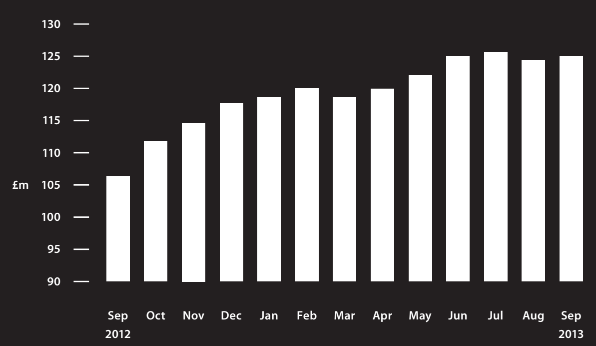
Research and development expenditure

	Protection & Defence £m	Dairy £m	Total £m
Total expenditure	6.0	0.4	6.4
Less customer funded	(2.1)	-	(2.1)
Group expenditure	3.9	0.4	4.3
Capitalised	(3.0)	(0.3)	(3.3)
Income statement impact of current year expenditure	0.9	0.1	1.0
Amortisation	1.8	-	1.8
Total income statement impact	2.7	0.1	2.8
Revenue	93.2	31.7	124.9
R&D spend as % of revenue	6.4%	1.3%	5.1%

Key Performance Indicators (KPIs)

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

12 MONTH MOVING TOTAL REVENUE



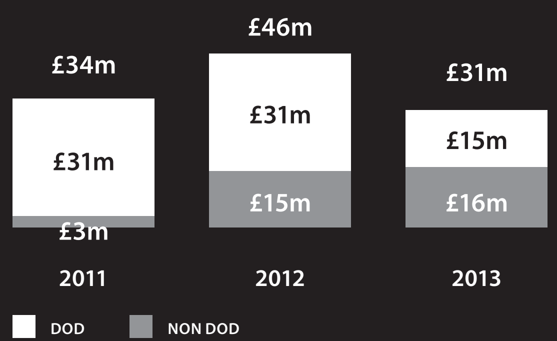
REASON FOR CHOICE
This looks at revenue for a cumulative 12 month period and is used to identify the directional trend in revenue.

HOW WE CALCULATE
This is measured at sales value.

COMMENTS ON RESULTS
Revenue has increased by 17% in 2013 with growth in P&D of 25% being the main driver. In Dairy, softer traditional markets have been offset by growth in China.

INCREASED BY
17%

PROTECTION & DEFENCE ORDERS IN HAND



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
Our non-DOD order book is growing and although we consumed the final tranche of our original five year DOD fixed order, we maintained our DOD order book with additional orders under the 'requirements' option of the ten year contract.

DECREASED TO
£31m

RETURN ON SALES

2011	2012	2013
14.6%	15.3%	16.0%

REASON FOR CHOICE
This measure brings together the combined effects of procurement costs and pricing as well as the leverage of our operating assets.

HOW WE CALCULATE
Earnings before interest, taxation, depreciation, amortisation and exeptional items (EBITDA) divided by revenue.

COMMENTS ON RESULTS
We have succeeded in growing profit in our Protection & Defence business through increased revenue and improved operating margins. This has been slightly offset in 2013 by a lower return in Dairy as softer markets have coincided with a period of investment in resource in that division.

INCREASED TO
16.0%

TRADE WORKING CAPITAL TO REVENUE RATIO

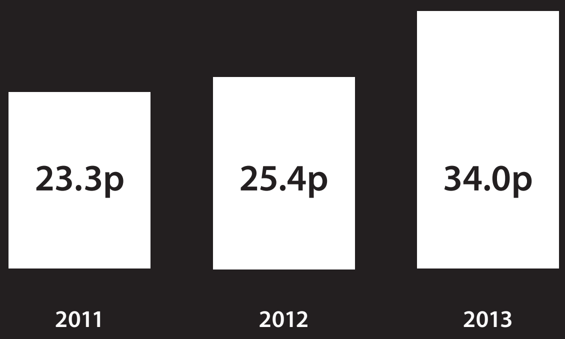
REASON FOR CHOICE
Management of working capital ensures that profit growth converts into cash generation.

HOW WE CALCULATE
Trade working capital is defined as inventory + trade receivables - trade payables, expressed as a percentage of revenue.

COMMENTS ON RESULTS
Working capital, in particular receivables, has risen in the final quarter reflecting the higher level of activity in Protection & Defence.

INCREASED TO
20.8%

DILUTED EARNINGS PER SHARE



REASON FOR CHOICE
This measure 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 the amortisation of acquired intangibles and exceptional items divided by the number of dilutive potential shares.

COMMENTS ON RESULTS
Higher operating profit and a lower Group effective tax rate in 2013 have contributed to an improved EPS position.

INCREASED TO
34.0p

Our non-financial KPIs in relation to health and safety and employees are detailed in our Environmental and Corporate Social Responsibility report on pages 32 to 38.

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 44 to 48). 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 at 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.

The principal risks affecting the Group are identified by the Group Executive team and reviewed by the Board.

Risk management within the business involves:

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

TRANSITION TO NEW HOME COMPLETE FOR AEF

The US business AEF have successfully transitioned into their new facility located in Picayune' s Industrial Park. The 72,600 sq. ft. manufacturing facility was originally designed by the team at AEF and is ideal for the type of large format products AEF is accustomed to manufacturing. With the purchase of the larger facility, we are now strategically poised for expansion and embrace the new opportunities for growth.

The process involves a 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 priority tasks allocated to it that are the responsibility of the members of the Group Executive to deliver during the financial year. Regular sessions are held throughout the year to review progress in delivery of the priority tasks at an operational level.

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 the 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 principal risks identified through the risk management process are listed on the following page in order of severity and with the categorisation given to them internally shown alongside. Mitigation, where possible, is shown by each identified risk area.

IMPULSEAIR DELIVERS IMPROVED ANIMAL HEALTH IN THE MIDDLE EAST

Al-Safi, in the Kingdom of Saudi Arabia have converted their remaining 14 parlours to ImpulseAir, resulting in greatly improved teat ends and much calmer, more comfortable cows.

Principal risks and uncertainties (continued)

Type of Risk	Business Risk	Mitigation

Product development

- Failure to meet regulatory product/system requirements
- Lack of investment in new products
- Lack of expertise and skills
- Failure to identify and implement new products e.g. protection equipment and dairy products require regulatory approvals in each market in which they are sold. Obtaining approval can lead to delays in product launches or significant rework for different markets

Mitigation

- Publication of and adherence to a 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

Market threat

- Lack of sales growth
- Loss of major contract or business to competitor e.g. price competition in the dairy market and the impact of milk prices and feed costs

Mitigation

- Safety approvals and sole source supply contracts provide significant barriers to entry
- Continued investment in product development to ensure competitive advantage e.g. our ImpulseAir dairy liners which offer superior quality and milk yield and our innovative protection project to integrate our suite of masks and breathing apparatus
- 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

Business interruption – supply chain

- Dependency on sole supplier/subcontractor
- Availability/quality of raw materials
- Failure to manage distributors and dealers correctly

Mitigation

- Proactive approach to the approval of second sources and reducing cost through purchasing initiatives
- Robust supplier quality management procedures
- Negotiations with customers to pass on increases in raw materials prices

Key Arrows indicate whether the level of risk relative to the other risks of the business has increased (↑), decreased (↓) or remained the same(→) during the year.

Type of Risk	Business Risk	Mitigation
4 OPERATIONAL ↓	**Quality risks and product recall** ■ Poor quality systems allow faulty product to reach customer ■ Process/material/equipment inadequacy e.g. our protection products are safety critical therefore all product reaching the end consumer must meet specification	■ Focus on Six Sigma manufacturing disciplines, site quality procedures and employee engagement ■ Focus on product development to improve design of products ■ Continue with equipment and process improvements
5 STRATEGIC ↑	**Customer dependency** ■ Over reliance on a few customers e.g. US Government, Dairy OEMs ■ Poor customer relationships and communication due to incomplete understanding of customers or failure to meet expectations	■ Focus on customer service (internal and external) ■ Growing sales to other customers e.g. continuing to expand protection sales into new countries and markets and expanding dairy sales into developing markets ■ Setting and regular monitoring of sales budgets and major sales prospects by the Group Executive and the Board
6 OPERATIONAL ↓	**Talent management** ■ Insufficient skills of employees ■ Poor engagement and morale ■ Dysfunctional organisational structure/reporting lines	■ Focus on celebrating and rewarding achievements and promoting positive action by empowering our people and engaging and involving them through effective communication, including CEO annual presentations to each location ■ Continue to realign teams and structures, recruiting where appropriate to ensure that as the business grows the structure remains fit for purpose ■ Active management by succession planning, the annual performance management process and the reward and incentives structure
7 OPERATIONAL →	**Non-compliance with legislation** ■ Failure to comply with export controls, the International Traffic in Arms Regulations (ITAR), Bribery Act and product approvals	■ Regular focus and review of the ITAR control framework, NPI process and the internal control procedures ■ Internal and external audit

Trends affecting the future

Protection & Defence – DOD spending

Our Protection & Defence business is well placed to meet the challenges of a continuing period of instability in the global defence market. Providing safety-critical equipment to the warfighter under a long-term sole-source contract with the DOD provides a degree of certainty in our biggest market, while our rapid growth in homeland security and military markets around the globe demonstrates the success of our strategy of investing in sales, marketing and product development.

In May 2008 we were successful in obtaining a single-source $112m, five year full rate production (FRP) contract from the DOD for the M50 military respirator at the supply rate of 100,000 mask systems per annum. The DOD also exercised its ‘requirements’ option to extend the order for a further five 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 ten year period.

Budget funding for our ten year sole-source respirator programme with the DOD has been largely unaffected by the current economic instability although the procedural process of doing business with the US Government has slowed. Despite continued downward pressure on military budgets globally and in particular uncertainty about the size and timing of the approval of DOD budgets, we expect spend on PPE for the warfighter to remain stable, although the timing of orders may again be unpredictable. At the year-end we carried forward orders for 40,000 M50 masks for delivery in 2014. We also expect further mask orders in 2014 from 2014 DOD budgets.

The buying patterns of filter spares has been less stable and predictable as is often the case when a new product is first fielded to the front line. The combination of filling the logistics chain and replacement of filters which have been used or where the shelf-life has expired provides a long term source of demand for filter spares. We expect Avon to be one of two sources for filters for the DOD from 2014 should the other source receive approval for its product. At the year-end we carried forward orders for 80,000 filter pairs for delivery in 2014 and expect further filter orders.

Dairy – market conditions

The market for our consumable product can be affected by macro issues that impact farmers’ short-term cash flow and thus their purchasing patterns. The milk price, which determines the farmer’s revenue, is impacted by both short-term commodity markets (it is a traded item in the US) and the medium-term cycle of cow population, as herds are bred or culled. Feed is the farmer’s major input cost and the price of feed is determined by the success or otherwise of the harvest and competing demand for the crops.

AWARD OF

$6.7m

DOD JSAM DESIGN, DEVELOPMENT AND TESTING CONTRACT

Group – treasury 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 income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the income statement is exposed to the following:

- Based on the 2013 results a 5¢ movement in the average US dollar rate would have impacted reported operating profit by £0.4m (2012: £0.4m) and profit after tax by £0.3m (2012: £0.3m).

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 5% hedged (2012: 17%). As a result of the remaining balance sheet exposure after hedging, the Group was exposed to the following:

- Based on the 2013 results a 5¢ movement in the average US Dollar rate would have impacted Group assets by £1.1m (2012: £0.9m).

The Group is exposed to interest rate fluctuations and with net debt of £10.9m (2012: £8.7m), a 1% movement in interest rates would impact the interest costs by £0.1m (2012: £0.1m). 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. None of the Group's borrowings were fixed at the year end (2012: £nil).

Peter Slabbert
Chief Executive
20 November 2013

Andrew Lewis
Group Finance Director
20 November 2013

EOS 2013 EMPLOYEE OPINION SURVEY

Engagement with our employees and two-way communication is key to the success of the Group. Each year the Company runs an EOS, with online access for every employee.

EOS 2013 was conducted anonymously via an online tool. In addition hard copies were placed in HR departments, break out areas and site entrances to encourage participation.

EOS 2013
employee opinion survey

Annual report on environmental and corporate social responsibility

The Directors recognise the importance placed on how businesses take account of their economic, social and environmental impact 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.

As we continue to work to strengthen our position as the world leader in the markets in which we do business we will also seek to honour our obligations to society by being an economic, intellectual and social asset to each community in which we operate.

At many of our sites we are one of the largest employers in the local area. As an integral part of the community we are aware of the impact the Group has on its local environment and seek to contribute to its economic, social and environmental sustainability.

We also strive to:

- Manage the Group as a sustainable business for the benefit of shareholders and other stakeholders
- Aim for the highest standards of health and safety in the workplace
- Develop and motivate our employees, ensuring they are fully engaged in the Group's strategy
- Minimise waste and emissions that contribute to climate change

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 is available to all employees in addition to being placed on our Group website.

Ethics and anti-corruption

The Policy & Code contains material on bribery and corruption further to the introduction of the UK Bribery Act 2010, which includes the corporate offence of failing to prevent bribery.

These areas continue to receive focus 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 obliged to comply with the standards set out in the Policy & Code, which is 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.

Human rights

Avon always seeks to respect the human rights of all staff, customers and suppliers. A programme of supplier audits exists to ensure suppliers adhere to Avon's standards.

Environmental report

Whilst Avon's facilities and manufacturing processes are low in environmental impact, the Group is committed to ensuring that its businesses are as efficient as possible and conduct business in ways that are sensitive to the environmental needs of the communities in which we operate.

Our environmental objectives focus on the activities of:

- Energy consumption
- Waste and recycling
- Supplier environmental development

Our aim is to ensure our operations and products comply with relevant environmental legislation and are committed to continuous improvement in environmental sustainability through recycling, conservation of resources and prevention of pollution whilst keeping our suppliers informed of our environmental expectations. As technology improves we expect to be able to reduce waste further and increase the level of recycling.

All manufacturing sites have complied with local, State and Federal requirements during the year.

We have undertaken a number of kaizen programmes this year which have been implemented to reduce waste and increase efficiency.

Energy consumption

Across the Group we have implemented a number of energy-saving initiatives.

- We have removed a number of inefficient metal halide hi-bay lights, saving an estimated 45% in electricity used for lighting

- We conducted energy studies throughout Hampton Park West using external resources and implemented recommended action
- We have engaged employees in energy questionnaires produced to gather ideas and gain information regarding potential savings
- Energy management training courses have been organised to show where energy reduction information has been implemented on sites
- 140W fluorescent tubes have been replaced with 60W high efficiency LEDs without affecting the luminance of the area
- An advanced thermostat was installed for the HVAC system at Hampton Park West at a cost of £5,000 recovering 6% of future electricity costs
- Scrap paper and metal are recycled at all sites
- We continue to work with our power supplier to identify savings and opportunities
- We have concentrated the working environment to incorporate cell manufacturing units, therefore further reducing unwanted lighting, heating and space

Waste and recycling

- The Group recycles all waste thermoplastic elastomers (TPE) used in the manufacturing of the NH15 Hood
- Hampton Park West has changed recycling companies to receive a payment for certain types of waste rather than pay a charge
- We break down items for recycling rather than discarding in general waste
- The Group has instilled a philosophy of "cradle to cradle" when designing new products which considers rebirth of the material used in products at the end of its initial life stage
- Recycling bins for cans, bottles and plastics are provided for employees throughout sites
- Hampton Park West has become involved with a disabled riding school which uses our waste granulated rubber for its equestrian ring
- We have increased the use of our video, telephone and web conferencing facilities reducing the need for car and air travel
- In the UK we set a waste recycling target for the 2013 year of 85% and this year we saw the figure reach an impressive 87% of all waste being recycled with only general waste now being sent to landfill. This compares with 82% recycled in 2012. Staff at HPW have set themselves a tough but very admirable target of reducing the amount sent to landfill still further for the 2014 reporting year

Supplier environmental development

- We are committed to working with suppliers in mutually beneficial ways, and so far as is practicable require that suppliers and contractors act in accordance with the Group's values and policies

ISO 14001

Hampton Park West has successfully retained its ISO 14001 certification throughout 2013, with no deficiencies being raised on either audit by external LRQA auditors. Avon also had a clean bill of health with no external environmental concerns raised throughout the year.

AVON PROTECTION AWARDS $10K TO NORTH CLAY FIRE PROTECTION DISTRICT WINNERS OF FIREHOUSE REMODEL CONTEST

North Clay Fire Protection District in Louisville, Illinois, was the winner of Avon's 2013 firehouse remodel contest in which it was awarded $10,000 funding to upgrade facilities used by volunteer firefighters.

This giveaway was a small token of Avon Protection's appreciation for the hard work and dedication shown by US firefighters.

ARTIS continues to have a significant input in 'green technology' areas. Having completed a funded programme on tyre recycling ARTIS is now working to commercialise a full scale continuous microwave pyrolysis unit for the production of carbon, oil and gas from waste tyres. ARTIS has also agreed to work with another commercial pyrolysis company to provide technical support and evaluation of the end materials and their applications. We will continue to evaluate treatment processes for the recycled materials with a view to increasing the value and applicability of recycled products.

Our carbon footprint

Reducing emissions is the right thing to do for a responsible business seeking sustainable profits. It conserves energy, saves money and helps deliver energy security and better resource efficiency.

Our gross greenhouse gas (GHG) emissions for the year ended 30 September 2013 totalled 9,250 tonnes of CO_2e.

We have calculated our carbon footprint according to the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol, which is the internationally-recognised standard for corporate carbon reporting.

We break down our emissions into three categories which you can see in the table below.

We have used emission factors from Defra/DECC's GHG Conversion Factors for Company Reporting.

Our carbon data is collected by managers in each of the countries in which we operate and entered into an internet-based reporting tool that has been designed specifically for our carbon footprinting process. This tool has been developed to reflect the requirements of the GHG protocol. The tool calculates CO_2e emissions.

The year ended 30 September 2013 was set as the base year as this is the first year the Group has reported detailed greenhouse gas emissions. The appropriateness of the base year will be reviewed on an annual basis.

	Description	GHG emissions (tonnes CO_2e)
Scope 1	Emissions arise directly from our operations and comprise fuel used in our vehicles	7
Scope 2	Indirect emissions that come from our use of electricity, gas and water	8,496
Scope 3	Emissions are other indirect emissions, such as business travel	747
Total		9,250

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 continue to be low across the Group.

Accident rates across the 5 manufacturing sites during 2013

	OSHA TOTAL CASE INCIDENT REPORT RATE FOR THE YEAR*			OSHA RECORDABLE ACCIDENTS FOR THE YEAR		
	Target	2013	2012	Target	2013	2012
Hampton Park West, Melksham	NIL	1.6	1.1	NIL	3	2
Avon Protection Systems, Cadillac	NIL	1.6	1.0	NIL	2	2
Avon Dairy Solutions, Johnson Creek	NIL	3.0	3.0	NIL	4	4
Avon Protection Systems, Atlanta	NIL	10.9	NIL	NIL	2	NIL
AEF, Picayune	NIL	2.8	3.9	NIL	1	1

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

Monitoring of our safety performance is an integral part of the Group's operations and is one of the non-financial key performance indicators reviewed regularly by local management.

Investment in our employees

The Group recognises the importance of our employees in helping us to achieve our corporate goals and one of our corporate values is to motivate our people through appropriate recognition and reward programmes. We are committed to equality of opportunity in all employment practices, policies and procedures regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religious or political beliefs.

We seek to be a modern, flexible, customer service driven organisation whose employees operate in an engaged environment of trust and empowerment. The Group's core values are embodied by the acronym CREED, a set of principles and cultural values which are rigorously pursued and adhered to across the Group.

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 business

Our CREED values are fundamental to Avon's employee performance management process.

The Group recognises outstanding individuals through its 'CREED Heroes' programme, a quarterly award scheme whereby employees can nominate colleagues whom they believe embody the CREED values in their job performance. Each CREED Hero receives a tangible financial award, wide recognition across the Group and is then shortlisted to receive the annual accolade of being Avon's group-wide CREED Hero.

Avon is committed to recognising, developing and recruiting new talent across the businesses. We encourage talented employees by matching the right people to the right roles and by ensuring professional development opportunities are available throughout their employment within the Group.

In the UK we support student engineers by enabling a second year university student to spend a year as a member of our design team, working on new product development. In the US, we support a number of student summer placements and internship placements where students are able to alternate school semesters with full-time work semesters from their freshman year to graduation.

The students help us tackle real-world engineering problems as they learn about the engineering profession as well as having the potential for long-term employment within Avon. A number of our student placements have taken up full time employment with the Group following their graduation and contribute significantly to company achievements.

We operate Group-wide employee share plans to encourage our staff to participate in the future of the Group through share ownership. All UK employees are entitled to participate in the Share Incentive Plan (SIP) whilst US employees are invited to join the Employee Stock Purchase Plan (ESPP). Both provide the opportunity to purchase shares through accumulated payroll deductions.

The gender of our staff at 30 September 2013 was as follows:

	Male	Female
Non-Executive Directors	2	1
Executive Directors	2	-
Senior Managers	16	4
Other Employees	451	274
Total	471	279

Six of the senior managers (four male, two female) are also directors or officers of subsidiary undertakings.

Environmental and Corporate Social Responsibility

Engagement of our employees and two-way communication is key to the success of the Group. Each year the Company runs an Employee Opinion Survey (EOS), with online access for every employee. The EOS gives each employee an opportunity to provide feedback and suggest ways in which Avon could improve.

EOS 2013 was conducted anonymously via an online tool. In addition hard copies were available from HR departments, break out areas and site entrances to encourage participation.

The EOS is a clear driver for change and responses are evaluated on a site and global level. The Chief Executive and site management teams review each idea and suggestion and publish responses and plans for improvement. Results and recommendations for change are presented at the annual CEO Roadshow.

The survey results are another of the Group's key performance indicators. This year, due to a number of initiatives to encourage participation, the response rate increased significantly. This in turn has resulted in a slight drop in the overall score.

	Target	2013	2012	2011
Response rate	>50%	71%	52%	54%
Overall score (out of 5)	>3	3.4	3.7	3.6
I have pride in being an employee of the company (out of 5)	>3	4.0	4.3	4.2

The EOS helps to ensure Avon listens to its employees and strives for continuing improvement. The survey will continue to be an annual forum that helps Avon invest in its people and drive success.

WORKING BEAUTIFULLY

We are proud of our extremely hardworking and highly skilled workforce, and were pleased to have been captured 'working beautifully' by these talented artists and have the opportunity to provide sponsorship for the exhibition.

TIMOTHY CUMMING AND NIGEL HUDSON CAPTURED AVON EMPLOYEES 'WORKING BEAUTIFULLY' AT HAMPTON PARK WEST

Community and charitable contributions

We aim to work together with the communities in which we operate. We actively encourage our sites to engage positively with the local community in their areas.

At many of our sites we are one of the largest employers in the local area and we recognise the part we play in those communities. We are aware of the impact the Group has on its local environment and seek to contribute to its economic, social and environmental sustainability.

We recognise the value provided to local and wider communities by members of the reserve forces and those in public service. We are proud to have employees in service and support their commitment.

In the US we support extracurricular activities through sponsoring our employees and their children participating in local bowling leagues, soft ball leagues, high school athletics and ski teams. In addition, our sites have contributed to a number of charitable causes:

- Employees collected non-perishable items for Project Christmas
- Jeans Day Fridays raised $4,294 which was distributed to 12 local societies and charities

- This is the 4th year that Avon Protection has sponsored the food distribution truck for "Feeding America" in Cadillac. Volunteers help to distribute food to approximately 145 families
- Avon Protection donated $1,000 to the Stehouwer Free Clinic, a community based, not-for-profit organisation providing free primary health care to the uninsured
- Avon Protection donated $5,000 to the Cadillac Rotary to update the Pavilion and the Cadillac Lakefront
- Avon Protection donated $2,000 to the United Way for non-profits in the Cadillac community

- Avon Protection sponsored a team to walk in the Relay for Life cancer walk
- Avon Protection sponsored a number of local activities including the Labor Day race, Firefighter Basketball game and YMCA camperships
- Avon Protection donated money to help students in the Cadillac area to work side by side with Haitian people to better their community
- The Avon Protection Cadillac team continue to support their local hospital to update its facilities

In the UK we provide support to a number of charities including Dorothy House Hospice Care, Barnardos and the National Blind Childrens' Society through sponsored events and collections. Additional charitable activities included:

- WEAR IT PINK Fridays for Breast Cancer Campaign
- Avon Dairy Solutions sponsored a local farmer undertaking a 24 hour milking marathon
- Avon Protection provided sponsorship to Stress'in Out, who raise funding for military personnel with Post Traumatic Stress Disorder (PTSD)

Environmental and Corporate Social Responsibility

- Cake Sale for Children in Need
- Avon Protection made a donation to the Little Sister of the Poor who provide care for the elderly in the latter years of their lives

ABF THE SOLDIERS' CHARITY

- Avon Protection provided annual sponsorship to Everywhere Without Delay, raising funding for The Soldiers Charity
- Comic Relief Red Nose cake sale
- Raffles for The Blind Children's Society
- Hampton Park West continue to participate in the Poppy Appeal on an annual basis
- The Group sponsored 'Working Beautifully', an exhibition following a visit to Hampton Park West to capture our skilled employees at work

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. Avon's fund provided grants to:

- Wiltshire Music Centre based in Bradford-on-Avon for support towards the 15th Wiltshire & Swindon Special Schools Festival in July 2013. Every year the project gives up to 500 young disabled people aged 9-19 from special schools the chance to work with skilled professional artists

- Wiltshire Mind who operate four 'You in Mind' social support centres across Wiltshire that offer both group and one-to-one advice and support sessions for people with mental health issues

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
20 November 2013

Board of Directors

David Evans

Chairman

"2013 has delivered strong results and the investments we have made have started to bring innovative new products and technologies to market. We are well positioned to achieve further growth."

Aged 67. David took up the position of Chairman of the Board in February 2012 having served on the Board from the time of his appointment 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 remained on the Chemring Board as a Non-Executive Director following his retirement in April 2005 but stood down from this role during 2012 to focus on his role as Chairman of Avon Rubber p.l.c. He was previously a Non-Executive Director of Whitman PLC.

Peter Slabbert

Chief Executive

Aged 51. Peter became Avon Rubber p.l.c.'s Chief Executive in April 2008. Peter was awarded the Chief Executive of the Year Award at the Grant Thornton Quoted Company Awards in January 2011. He joined Avon as Group Financial Controller in May 2000 and he was appointed Group Finance Director on 1 July 2005. A Chartered Accountant, Peter joined 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 42. Andrew joined Avon in September 2008 as Group Finance Director. He 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 ICAEW. Andrew was awarded the Young Finance Director of the Year Award at the ICAEW Financial Director's Excellence Awards in May 2011. He gained a wide range of international experience as a Director at PricewaterhouseCoopers in Bristol and New Zealand before joining Rotork p.l.c. as Group Financial Controller.

Stella Pirie OBE

Non-Executive Director

Aged 63. 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 has held various non-executive positions in both the private and public sectors. She is currently a Non-Executive Director and Audit Committee Chairman of Schroder UK Growth Fund p.l.c. and Highcross Limited. She is also Chairman of Bath Spa University. Stella was awarded the OBE in 1999.

Richard Wood

Non-Executive Director

Aged 68. Richard joined the Board in December 2012. Richard is a graduate Chartered Chemical Engineer. He worked for ICI for 23 years and is a former Managing Director of ICI Seeds UK. Following this time he entered the pharmaceutical industry, firstly as Chief Executive of Daniels Pharmaceutical Limited until it was acquired by Lloyds Chemist plc, and then as Managing Director of a Lloyds division. He was Chief Executive of Genus plc for 15 years until his retirement in September 2011. He is currently Chairman of Atlantic Pharmaceuticals Limited and of Innovis Limited.

The Directors submit the annual report and audited financial statements of Avon Rubber p.l.c. ('the Company') and the Avon Rubber group of companies, ('the Group') for the year ended 30 September 2013. The Company is registered in England and Wales with company registration number 32965.

Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments is set out on pages 11 to 31.

Financial results and dividend

The Group statutory profit for the year after taxation amounts to £9,628,000 (2012: £7,829,000). Full details are set out in the consolidated statement of comprehensive income on page 72.

An interim dividend of 1.44p per share was paid in respect of the year ended 30 September 2013 (2012: 1.2p).

The Directors recommend a final dividend of 2.88p per share (2012: 2.4p) resulting in a total dividend distribution per share for the year to 30 September 2013 of 4.32p (2012: 3.6p).

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. 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 1,242,111 shares held in the names of the two Employee Share Ownership Trusts on a jointly owned basis or as a hedge against awards previously made or to be made pursuant to the Performance Share Plan are held on terms which provide voting rights to the Trustee and, in certain circumstances under the terms of joint ownership awards, to the recipient of the awards.

The only significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid are the 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. The employment contracts for the Executive Directors do not contain any specific right to compensation for loss of office on a takeover bid.

Substantial shareholdings

At 7 November 2013, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Schroder Investment Management	20.7%
BlackRock Investment Management	12.3%
Cazenove Capital Management	6.1%
Henderson Global Investors	4.2%
Avon Rubber p.l.c. Trustees	4.0%

Acquisition of own shares

During the year the Directors had the power to make purchases of up to 4,608,492 of the Company's own shares in issue on the basis as set out in the explanatory note on page 133. No share purchases were made by the Company during the year but it did fund the purchase of 521,539 shares with a nominal value of £1 each by one of the Employee Share Ownership Trusts as described in note 20. The Directors also had the authority to allot shares up to an aggregate nominal value of £10,241,097 which was approved by shareholders at the 2012 annual general meeting (AGM). In addition, shareholders approved a resolution giving the Directors a limited authority to allot shares for cash other than pro rata to existing shareholders. These resolutions remain valid until the conclusion of this year's AGM when resolutions to renew these authorities will be proposed. Dividends on shares held by the Employee Share Ownership Trusts have been waived.

Directors

The names of the Directors as at 20 November 2013 are set out on page 39.

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 two changes to the membership of the Board. Mr R K Wood was appointed as a Director on 1 December 2012. Sir Richard Needham retired from the Board on 7 February 2013 at the AGM. 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 68.

The Board is satisfied that Mr D R Evans, Mrs S J Pirie and Mr R K Wood are independent Non-Executive Directors. Mrs Pirie's term of appointment will reach nine years in March 2014. The Board has considered the factors set out in Code provision B.1.1 in order to make a determination of independence for Mrs Pirie for the 2014 financial year. The only relevant factor from those set out in provision B.1.1 is that, from March 2014, Mrs Pirie will have served on the Board for more than nine years from the date of her first election. In addition her period of tenure will have been concurrent with that of Mr Slabbert as an Executive Director. The Board is comfortable that Mrs Pirie will remain independent in character and judgement notwithstanding this and should continue to chair the Audit Committee and be a member of the Remuneration Committee. The Board will consider the succession plan for Mrs Pirie in the coming year. Each Non-Executive Director has a service agreement and details of these are contained in the Remuneration Report on page 64.

Mr P C Slabbert retires by rotation and, being eligible, offers himself for re-election.

The Board confirms that Mr 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 39.

Mrs S J Pirie retires by rotation and, being eligible, offers herself for re-election.

The Board confirms that Mrs Pirie has contributed substantially to the performance of the Board. The Chairman gives his full support to Mrs Pirie's offer of re-election and draws the attention of shareholders to her profile on page 39. Mrs Pirie will put herself forward for annual re-election in future.

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

All Executive Directors' service contracts with the Company require one year's notice of termination, 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.

DIVIDEND UP

20%

Research and development

The Group continues to utilise its technical and materials expertise to further advance its products and remain at the forefront of technology in the field of polymer technology and materials engineering. The Group maintains its links to key universities in the US and UK and continues to work with new and existing customers and suppliers to develop its knowledge and product range. Total Group expenditure on research and development in the year was £6,407,000 (2012: £6,627,000) further details of which are contained in the Strategic Report on pages 11 to 31.

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

Environmental and corporate social responsibility

Matters relating to environmental and corporate social responsibility are set out on pages 32 to 38.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to £15,305 (2012: £17,725) consisting exclusively of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, Wisconsin, Georgia and Mississippi.

Financial instruments

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

Post balance sheet events

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

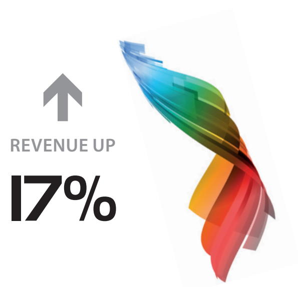
Statement of Directors' responsibilities for preparing the financial statements

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

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

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

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



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

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

Each of the Directors, whose names and functions are listed on page 39 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained on pages 11 to 31 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 2013, the number of days' purchases outstanding at the end of the financial year for the Group was 19 days (2012: 24 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 2013 there were no trade creditors in the balance sheet of the parent company (2012: nil).

Independent auditors

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

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

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 44 to 48. The corporate governance report forms part of this Directors' Report and is incorporated into it by cross-reference.

Annual general meeting

The Company's annual general meeting will be held at its Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 6 February 2014 at 10.30am. The Notice of Meeting can be found on pages 128 to 133. Registration will be from 10:00am.

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
20 November 2013

Statement of compliance with the UK Corporate Governance Code

The Board of Directors believes in high standards of corporate governance, notwithstanding the Company's position outside the FTSE500, and is accountable to shareholders for the Group's performance in this area. This statement describes how the Group is applying the relevant principles of governance, as set out in the UK Corporate Governance Code (the Code) which is available on the website of the Financial Reporting Council (FRC).

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

The Board considers that, subject to the Senior Independent Director not attending meetings with the major shareholders to listen to their views (which is explained further below) the Company met the requirements of the Code throughout the year ended 30 September 2013. This statement will address separately the main subject areas of the Code namely Leadership, Effectiveness, Accountability and Relations with Shareholders. Remuneration is dealt with in the Remuneration Report on pages 52 to 71.

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

Leadership and effectiveness

During the year the Board of Avon Rubber p.l.c. comprised a Chairman, two Non-Executive Directors ('the Non-Executive Directors'), and two Executive Directors who are the Chief Executive and the Group Finance Director. The Board treats the two Non-Executive Directors as independent. Richard Wood was appointed as a Non-Executive Director on 1 December 2012 and Sir Richard Needham retired from the Board at the conclusion of the 2013 annual general meeting.

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

The Board is aware of the FRC's suggestion that companies outside the FTSE 350 should consider the annual re-election of all directors. On the basis that this is not a requirement of the Code and it has not been raised as an issue by any shareholders the Board has chosen not to change its existing practice. Non-Executive Directors submit themselves for annual re-election if they have served for more than nine years since first election, as will be the case for Stella Pirie from the next annual general meeting. Additionally, the Non-Executive Directors are appointed by the Board on terms which allow for termination on three months' notice.

Biographies of the Directors appear on page 39. These illustrate the range of business and financial experience upon which the Board is able to call. The intention of the Board is that its membership should be balanced between executives and non-executives and have the appropriate skills and experience. The special position and role of the Chairman under the Code is recognised by the Board and a written statement of the division of responsibilities of the Chairman and Chief Executive has been agreed. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role and the Chief Executive manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

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

How the Board operates

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

Examples of strategic and management issues include the following:

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

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

Performance evaluation

An internal annual performance evaluation was undertaken by the Board during the year and there are no plans to move towards an externally facilitated evaluation (which is compulsory for FTSE 350 companies) at this time. The Chairman acted as the sponsor of the evaluation process and each Director was required to score a questionnaire for review by the Board. The Company Secretary acted as facilitator to the Board and issues arising from the process were incorporated into the Board's business as appropriate. Within the evaluation exercise, the Board addressed three key areas: the extent to which the Board focuses on the right issues, interacts effectively and has the right mechanics in place. The evaluation prompted a discussion which covered the consideration given to social and environmental issues and whether the Board communicated effectively with the management team, employees and shareholders. The evaluation concluded that the Board operates well and the Board Committees operate effectively. In particular the Board contributes valuably to strategy, has appropriate matters reserved to it for its decision and commits the necessary time to be effective.

114%
OF OPERATING PROFIT CONVERTED TO CASH

Committees of the Board

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 continue to regard the Chairman as adding significant value to the deliberations of the Audit Committee and his membership is ratified by Provision C.3.1. of the Code, which permits listed companies outside the FTSE 350 to allow the chairman to sit on the audit committee where he or she was considered independent on appointment. 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 39. Mr D R Evans is Chairman of the Nominations Committee and Mr R K Wood took over as Chairman of the Remuneration Committee following the retirement of Sir Richard Needham from the Board in February 2013.

The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance related benefits, for the Executive Directors and other senior executives. The Chief Executive and the Company Secretary attend meetings of the Committee by invitation, but are absent when issues relating to each of them are discussed. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 52 to 71. The Board schedules eight regular meetings per year.

Meetings during year ended 30 September 2013

	Board	Audit Committee	Remuneration Committee	Nominations Committee
S.J. Pirie	8	3	4	1
Sir Richard Needham	3	1	2	1
R.K. Wood	6	2	2	-
D.R. Evans	8	3	4	1
P.C. Slabbert	8	3*	4*	1*
A.G. Lewis	8	3*	-	1*

* Attendance by invitation

This year two further meetings have been held on an ad hoc basis, including by telephone conference, in connection with amendments to banking facilities, bid pricing and internal transactions. In addition, between them, the three Non-Executive Directors visited the Cadillac, Johnson Creek, Lawrenceville and Belcamp 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. Interim management statements have been issued during the year, together with a number of other event updates. Dialogue takes place regularly with institutional shareholders and general presentations are given following the preliminary and interim results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and at other times during the year. Shareholders have the opportunity to ask questions at the annual general meeting and also have the opportunity to leave written questions with the Company Secretary for the response of the Directors.
The Directors meet informally with shareholders after the annual general meeting and respond throughout the year to correspondence from individual shareholders on a wide range of issues. Annual general meetings provide a venue for the shareholders to meet the Non-Executive Directors in addition to any other meetings shareholders may request.

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

At the annual general meeting on 6 February 2014, the Board will be following the recommendations in the Code regarding the constructive use of annual general meetings; as usual, the agenda will include a presentation by the Chief Executive on aspects of the Group's business and an opportunity for shareholders to ask questions. The Board has no plan to introduce poll voting on all business at general meetings as a substitute for using proxy votes as this is not a requirement of the Code and could, in the Company's case, reduce the voting on resolutions as it would require attendance at the annual general meeting by a representative of each major shareholder.

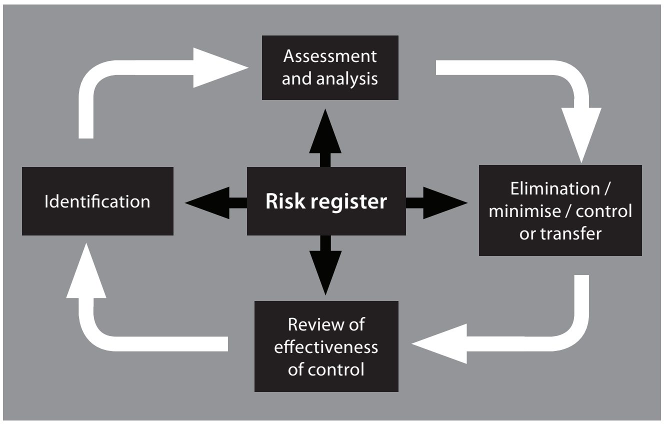
Accountability

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

The Directors acknowledge their responsibility for the Group's system of internal control. The Board, through the Audit Committee, keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The section on internal control in the Audit Committee Report on pages 50 to 51 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

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

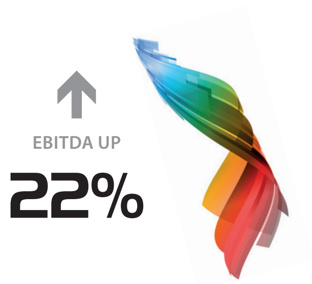
Procedures are in place to identify all major business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 28 and 29.



Risk management

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

The Board carried out quarterly reviews of the key risks facing the Group during the year, following the quarterly reviews conducted by the Group Executive management team. The Board also carried out an annual review of the major business risks affecting the Group, including the macro risks. In the year under review, the risk assessments carried out both at business level and at Board level continue to be reviewed and strengthened as part of the Board's ongoing response to the Turnbull Guidance.



The risk management process

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

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

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

The Board has issued a 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.

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 40 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
20 November 2013

Nominations Committee Report

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

The main responsibilities of the Committee are as follows:

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

The Committee met once during the year in connection with identifying a replacement for Sir Richard Needham, who retired from the Board at the 2013 AGM. Richard Wood was appointed to the Board on 1 December 2013.

The Board acknowledges the importance of diversity within the Company and supports management in their commitment to provide equality of opportunity in all employment practices, policies and procedures. Further information, including the number of women in senior management and within the organisation is shown in the Environmental and Corporate Social Responsibility Report on page 35.

D R Evans

David Evans
Chairman
20 November 2013

Main responsibilities

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

Activities during the year

The Audit Committee meets three times a year. Meetings are also attended by the Executive Directors and on at least two occasions by representatives of the Group's external auditors. At meetings attended by the external auditors time is allowed for the Audit Committee to discuss issues with the external auditors without the Executive Directors being present. An annual rolling agenda is reviewed to ensure that all matters within the Audit Committee's Terms of Reference during the year are appropriately covered. The Committee operates under formal terms of reference and these are reviewed annually. The Committee considers that it has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the year. There were no changes to the terms of reference in the year under review.

Financial reporting

During the year the Committee reviewed the appropriateness of the Group's half year and full year financial statements including considering significant financial reporting judgments made by management, taking into account the reports of the Group Finance Director and the external auditors. The main areas of focus considered by the Committee during 2013 were as follows:

- The presentation of the financial statements and in particular, the presentation of adjusted performance and the adjusting items, including the exceptional item in respect of the relocation of the AEF business and the amortisation of acquired intangibles and agreed with management's judgement that these should be treated as adjusting items
- Review of the key judgements made in estimating the Group's tax charge. The Committee agreed that the position taken in the financial statements is appropriate
- The need to perform an impairment review in respect of intangible assets. The Committee concurred with management's assessment that there were no triggering events in 2013 requiring an impairment review
- Review of the on-going funding level of the defined benefit pension scheme. The Committee agreed this was being managed appropriately
- At the request of the Board the Committee considered whether the 2013 annual report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Committee was satisfied that, taken as a whole, the annual report was fair, balanced and understandable

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

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

External auditors

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

In particular the Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. At the outset of the audit process, the Committee receives from the auditors a detailed audit plan, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure coverage is appropriately focused. Feedback on the audit process is requested from management and for the 2013 financial year, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory. The Committee concurred with the view of management. The Committee also keeps under review the nature, extent, objectivity and cost of non-audit services provided by the external auditors.

PricewaterhouseCoopers LLP ('PwC') have been the Company's external auditors for a number of years. In November 2012 the Committee reviewed the external audit mandate and confirmed the continuing appointment of PwC. This was on the basis that the Committee was comfortable that the PwC audit team remained objective and independent on the basis of the regular rotation of the audit partner and specific assurance provided by PwC to the Committee on the arrangements it has in place to maintain its independence. It was also noted that during the year the provision of external audit and tax compliance were separated and that tax compliance services are no longer provided by the external auditor. The Committee considers the reappointment of the external auditor and their independence on an annual basis.

Whilst there is currently no regulatory or governance requirement requiring the Company to rotate the external audit mandate, in order to ensure the independence and objectivity of the external auditors and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy which was also reviewed in November 2012. 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 previous 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 latest version provides that non-audit services with a value of more than £50,000 or which cumulatively exceed the annual audit fee require the approval of the Board. This approach was preferred to capping the value of non-audit services performed by the external auditor by reference to the external audit fee. The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor. To ensure compliance with this policy the Audit Committee carried out a review during the year of the remuneration received by PwC for audit services, audit-related services and non-audit work. The breakdown of the fees paid to the external auditor, including the split between audit and non-audit fees, is included in note 5 on page 85 of the financial statements. These reviews ensure a balance of objectivity, value for money and compliance with this policy. The outcome of these reviews was that no conflicts of interest existed between such audit and non-audit work.

During the year the Audit Committee considered the effect of the claim for compensation against PwC in relation to tax services as referred to in note 5 of the financial statements. The Committee concluded that it did not affect the Group Auditor's objectivity or impartiality.

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves the monitoring and reviewing of the effectiveness of internal audit activities, which included a review of the audits carried out and the results thereof, the management response and the programme and resourcing for 2013 and 2014.

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

During the year, a new business management software system was introduced at one site and will be rolled out throughout the rest of the Group in 2014 and 2015. The 2013 internal audit programme included two post-implementation reviews to ensure the new system was operating effectively and assess the need for any modification prior to implementation at the next site.

No significant failings or weaknesses were identified by the internal audit process but several minor improvements were identified and implemented.

As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Turnbull Guidance. Risk management activities are dealt with in more detail in the Corporate Governance Report on pages 44 to 48.

S Pirie

Stella Pirie OBE
Chairman of the Audit Committee
20 November 2013

Letter from the Chairman of the Remuneration Committee

As the new Chairman of the Remuneration Committee, I am writing to inform shareholders that we are changing company remuneration policy to reflect the very different challenges that lie ahead for the executive team. Having achieved a substantial turnaround for the Company and delivered significant growth in 2013, we can look ahead with some optimism. We believe that the executive team now needs to drive sustained high levels of growth to improve total shareholder return.

In making the changes set out in this report, we are aiming to reward executive success not failure. There will thus be a greater proportion of pay associated with achievement and we will be introducing measures that will better align remuneration policy with current City guidelines on the principles of remuneration.

The report covers the remuneration of both Executive and Non-Executive Directors and is presented in a way that is consistent with the new remuneration disclosure regulations that came into effect for the year ended 30 September 2013. The report has been split into a policy section that provides details for remuneration in future years and an annual remuneration section that provides the historical details of remuneration for the reporting year under the previous policy. As in previous years, the section on annual remuneration will be subject to an advisory vote by shareholders. However, the policy for future years will be subject to a binding shareholder vote in line with the new regulations and will remain in force for the next three years or until shareholders are asked to approve an amended version.

Remuneration policy for 2011 to 2013

Now that the business has been stabilised after a period of turnaround, this reporting year has seen strong growth delivered from a new strategy introduced by the new Chairman. We thus feel that it is an appropriate time to implement the final phase of the existing remuneration strategy, the expectation of which was to increase salaries to the median level when performance justified it and the Company could afford to pay at that level. This will bring the Executive Directors' salaries up to the median in the Ernst & Young benchmarking review dated September 2011 and revalidated by the recent market survey published in March 2013 by Deloitte on directors' remuneration in smaller companies. Basic salaries were therefore increased with effect from 1 October 2013 from £280,000 to £330,000 for the Chief Executive and from £200,000 to £252,000 for the Group Finance Director.

Remuneration policy for 2014 and beyond

In setting the remuneration policy for the next three years, the Committee has aimed to review executive remuneration with the objective of ensuring that it promotes the attraction, motivation and retention of the high quality executives necessary to deliver the Company's forward strategy for growth in sustainable earnings and a high level of shareholder return.

1. Base salaries

1.1 Executive Directors

The new remuneration policy for Executive Directors will freeze basic salaries for the forthcoming three years. Salaries will then be benchmarked on 1 October 2016 with the objective of making an adjustment if they are no longer tracking the median of a relevant comparator group. The annual cost of living increases awarded to the wider workforce will not be paid to the Executive Directors.

Details of the comparator group used in the 2011 Ernst & Young benchmarking study have been set out later in this report. Future comparator groups will be slightly different to reflect changes in the circumstances of the comparator companies and the Company's development. Except where roles have been significantly widened, the Committee believes the median salary of the benchmark group to be an appropriate target for the Company's Executive Directors given its size, industry sectors and geographical positioning and the Committee's belief that above normal performance should be rewarded through variable pay.

1.2 Non-Executive Directors

No changes were made to the fees paid to Non-Executive Directors in 2013. In future, these will be reviewed on a three year cycle based on a benchmark study with the next review being on 1 October 2014.

2. Executive Directors' variable pay

With basic salaries for Executive Directors having recently been brought into line with the median market benchmark, the Committee believes it should seek to recognise exceptional future performance by increasing the quantum of variable pay that can be earned. Enhancements have therefore been applied to annual bonus awards but counterbalanced by measures that protect against under or variable performance.

For the financial year commencing 1 October 2013 an additional annual bonus element has been introduced that aims to accelerate bonus accrual for sustained truly exceptional performance that is above existing targeted levels. To enable this to work, the cap for the percentage awards has been increased for the Chief Executive from 100% to 150% of salary, and for the Group Finance Director from 80% to 150% of salary. These maximum award levels will only be payable for truly exceptional performance. For the first 100% of salary, the split of targets will be consistent with those used in the 2012/13 year. The additional 50% of salary will be calculated according to a ratchet based on earnings per share growth occurring in excess of 20% growth over the previous year earnings per share and is set out in more detail in the remuneration policy report. The Committee believes that the ratcheted performance condition and the increased level of the bonus cap counter balance the restriction of basic salaries to the median benchmark when the team is being challenged to perform at above median levels.

This new annual bonus policy will be fixed for the next three years to reflect the challenge placed on the team of achieving sustainable high growth in a non-turnaround situation.

To protect against latent underperformance, there will be a new claw back rule that applies if the Group's financial results are restated due to an error during the two years following their release.

A new deferral rule will require 25% of all future annual bonus payments to be deferred into shares to be held for two years, and then treated as shares that are not subject to the executive shareholding guidelines. In this way, if earnings are not sustained for the period, any reduction in the share price will reduce the value of the bonus.

3. Long-term incentives for Executive Directors

No change is proposed to be made to the size of conditional awards made under the Performance Share Plan approved by shareholders in 2010. Grants for both the Chief Executive and Group Finance Director will therefore be limited to 100% of salary until 1 October 2016.

There are no proposals to change the type or operation of the performance conditions although the Committee may reduce the minimum vesting level from 30% to 25% during the three-year life of the policy in line with market practice.

With regards to the three-year performance period under the Performance Share Plan which ended on 30 September 2013, 100% of the awards will vest following the total shareholder return target having been met in full and the Committee concluding that there has been a sustained improvement in the underlying financial performance of the Group over that period.

4. Other matters

This year's Remuneration Report contains, for the first time, a single figure of remuneration for the Chief Executive and Group Finance Director. Shareholders will note the significant impact of the vesting of the performance share plan awards made in 2008 and 2009. During the same period, base salaries have lagged behind the median benchmark and a significant return has been delivered to shareholders, as can be seen in the Total Shareholder Return graph at the end of this report.

No changes are proposed to be made to letters or contracts of employment for existing Directors but, as with my letter of appointment, all new contracts will be made on terms that reflect current City guidelines.

5. Conclusions

The Committee believes that the new remuneration structure will incentivise the executive team to deliver strong and sustainable double-digit percentage levels of growth while offering increased reward for exceptional performance. We are comfortable that the proposed policy will not encourage undue risk taking as the performance metrics are fully aligned with targeted improvements in the Company's key performance indicators, incentive bonuses will now be subject to claw back provisions and part of the annual bonus must be deferred into Company shares. These features, allied to our share ownership guidelines, ensure that the new remuneration policy is aligned with short and long-term shareholder interests.

Richard Wood

Richard Wood
Chairman of the Remuneration Committee
20 November 2013

Remuneration Policy Report

Executive Directors

Remuneration Committee

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

The Committee comprises Mr R K Wood (Chairman), Mr D R Evans and Mrs S J Pirie. Mr Wood became Chairman of the Committee in February 2013 when Sir Richard Needham retired from the Board. The Committee uses external independent professional advisers when needed. KPMG are the Company's independent actuarial advisor on pension matters and will provide the Committee with information on executive pension arrangements when this cannot be provided by the pension scheme actuary AonHewitt. Ernst & Young provide annual performance monitoring data and share award valuations for review by the Committee in relation to the Performance Share Plan. In September 2011, Ernst & Young conducted a benchmarking review of the reward packages received by the Executive Directors, the Group Executive and the fees received by the Chairman and the other Non-Executive Directors. This review and future reviews are central to the remuneration policy set out below.

The Committee addressed the following main issues during the last year:

- Reviewed the remuneration of the Executive Directors, the Chairman and the other members of the Group Executive management team and decided to make no increases in October 2012
- Approved the annual bonus payments to the Executive Directors in November 2012
- Approved the annual bonus plan for the Executive Directors for the 2013 financial year
- Reviewed and confirmed the vesting of the 2009/10 Performance Share Plan awards in December 2012
- Reviewed and approved the 2012/13 Performance Share Plan awards made in December 2012 and monitored the performance of the outstanding awards against their performance targets
- Reviewed the executive management succession and talent management plan

Since the end of the 2013 financial year, the Committee has:

- Agreed the future executive remuneration policy as set out in this report for shareholder approval at the AGM in February 2014
- Approved salary increases for the Executive Directors for the 2014 financial year effective 1 October 2013
- Approved the annual bonus plan for the Executive Directors for the 2014 financial year
- Made preparations for the 2013/14 Performance Share Plan awards to be granted in December 2014

Guiding policy

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

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

The Committee aims to provide a remuneration structure that supports the achievement of the Company's performance objectives and, in turn, increases shareholder value. The Company's guiding policy on executive remuneration is that:

- Executive remuneration packages should take into account the linkage between pay and performance by both rewarding effective management and by making the enhancement of shareholder value a critical success factor in the setting of incentives, both in the short and the long term
- The overall level of salary, incentives, pension and other benefits should be competitive when compared with other companies of a similar size and global spread to attract, retain and motivate executive directors of superior calibre in order to deliver continued growth of the business
- Performance related components should form a significant proportion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders

Approach to recruitment remuneration

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

In unusual circumstances it may be necessary to pay a joining incentive to secure the right candidate. The Committee might consider paying up to 2.5 times base salary in these circumstances with the actual amount being defined by market requirements at the time. However, any such payment would be subject to performance conditions and a claw back on underperformance during the first two years of employment. No joining incentives were paid in connection with the promotion of Mr Slabbert to the role of Chief Executive or for the recruitment of Mr Lewis as Group Finance Director, both of which occurred in 2008.

Consideration of conditions elsewhere in the Company

The experience of Committee members and the benchmarking report have been relied upon in setting the remuneration packages for the Executive Directors and this remuneration policy. Employees have not been specifically consulted in this regard. Consistent with this approach annual cost of living increases granted to the wider workforce are not paid to the Executive Directors or to the other members of the Group Executive management team.

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

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

In addition, the Group Executive management team maintains a benchmarking survey of the top circa 40 employees in the Group with the aim of ensuring that each is being paid at the median benchmark level for their role and that each has a career and associated salary progression plan. It is possible that some of the more senior personnel within that group will be brought within the Committee's benchmarking study but for now the Committee is comfortable that the Group Executive management team sets the remuneration for the divisional management levels beneath it in the organisation structure.

Consideration of shareholder views

The Remuneration Committee has consulted with the three largest Company shareholders with a combined holding of 40% on the proposed remuneration policy outlined on pages 54 to 64. Two of the shareholders indicated their support for the policy without proposing any amendments. The third proposed some wording changes to aid the understanding of the position being taken on the increases to annual bonus, which have been adopted.

Detailed policy

The table below summarises the main components of the remuneration policy proposed for Executive Directors for the three year period commencing 6 February 2014 and highlights any changes to the policy when compared with the policy in operation for 2013.

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

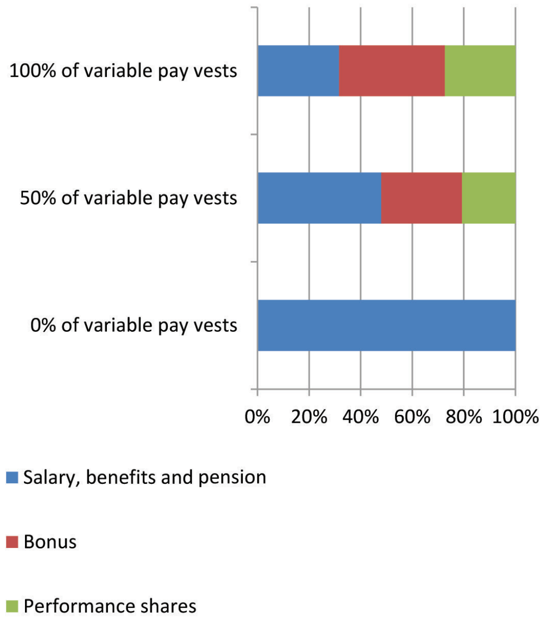
Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value*	Performance targets	Changes from 2012
Base Salary	To provide competitive fixed remuneration To attract and retain Executive Directors of superior calibre in order to deliver growth for the business Intended to reflect that paid to senior management of comparable companies Reflects individual experience and role	Reviewed every three years by the Remuneration Committee Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, as well as relative to the external market as identified in a benchmarking study based on an appropriate comparator group	2012/13: PC Slabbert £280,000 AG Lewis £200,000 2013/14: PC Slabbert £330,000 AG Lewis £252,000 2014/15 and 2015/16: No change No increase in 2016 unless found to be below the median level shown in a benchmarking report to be commissioned in September 2016 and any adjustments will be effective from 1 October 2016	Not applicable	No change made between 2012 and 2013. Increases between 2013 and 2014 (effective 1 October 2013) of 18% for the Chief Executive and 26% for the Group Finance Director to bring them to the median salary level identified in the 2011 Ernst & Young benchmarking report revalidated in September 2013
Benefits	As above	Executive Directors are entitled to medicals every two years and private health insurance. Cash for car payments were phased out in 2009. Life assurance is a benefit under the pension scheme but paid for by the Company. Small loans have been made in connection with the jointly owned equity awards under the Performance Share Plan	Full cost of healthcare benefits is circa £2k per Executive Director Life assurance is provided as part of a Group-wide policy and therefore a specific cost cannot be attributed to the Executive Directors.	Not applicable	None
Annual Bonus	Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives Maximum bonus only payable for achieving demanding targets Deferred element encourages long-term shareholding and discourages excessive risk taking	Paid in cash except 25% is deferred into shares to be held for two years Not pensionable Up to 100% of basic salary for the CEO and up to 80% of basic salary for the FD in 2013 Deferral does not apply to the percentage award relating to achievement of personal objectives Claw back applies if the financial results which led to the bonus being paid are restated due to an error in the subsequent two years	2012/13 (% of salary): PC Slabbert 100% AG Lewis 80% 2013/14 (% of salary): PC Slabbert 150% AG Lewis 150% 2014/15 and 2015/16 (% of salary): No change	The first 100% is based upon a combination of Group profit budget achievement (Group PBITE), year on year PBITE growth and Group cash generation (ratio of operating cash flow to operating profit) plus specific personal performance targets Any bonus in excess of 100% of salary is based upon EPS growth occurring in excess of 20% over the previous year	No change made between 2012 and 2013 Increases in award cap between 2013 and 2014 (effective 1 October 2013) from 100% of salary to 150% for the Chief Executive and from 80% of salary to 150% for the Group Finance Director. New bonus measure based on exceptional EPS growth introduced for bonus in excess of 100% of salary for 2014 Future bonus payments now subject to deferral of 25% into shares and subject to claw back on restatement of results due to an error

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value*	Performance targets	Changes from 2012
Performance Share Plan	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders	The Company has one Performance Share Plan, which was approved by shareholders in 2010. Annual grants of conditional share awards which vest after a three year performance period, subject to achievement of performance targets and continued service	2012/13 (% of salary) PC Slabbert 100% AG Lewis 80% 2013/14 (% of salary) PC Slabbert 100% AG Lewais 100% 2014/15 and 2015/16 (% of salary) No change	50% TSR (of which 30% vests for median increasing to 100% vesting for upper quartile of the FTSE Small Cap Index excluding investment trusts) 50% EPS (which starts vesting at nil for RPI +3% rising to 100% at RPI +8%)	No change made between 2012 and 2013. No change made between 2013 and 2014 for Mr Slabbert Increase in award granted to Mr Lewis proposed for December 2013 award from 80% of salary to 100% of salary
Share ownership guidelines	To increase alignment between executives and shareholders	Executive Directors are required to retain a proportion of their net of tax vested awards until the guideline is met	150% of salary for Executive Directors for awards vesting up to December 2013 200% of salary for Executive Directors for awards vesting from December 2014	Not applicable	No change
Pension	To reward sustained contribution by providing retirement benefits	Mr Slabbert is a deferred member of the now closed final salary section of the Plan Both Mr Slabbert and Mr Lewis are members of the money purchase section of the Plan. Where the promised level of benefits cannot be provided through the money purchase scheme the Company provides benefits through the provision of salary supplements	2012/13 (% of salary) PC Slabbert 15% AG Lewis 15% 2013/14 (% of salary) PC Slabbert 15% AG Lewis 15% 2014/15 and 2015/16 (% of salary) No change	Not applicable	No change

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

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

The chart below illustrates how the composition of the Chief Executive and Group Finance Director's remuneration packages vary at different levels of performance under the new policy, both as a percentage of total remuneration opportunity.



Basic salary and benefits

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

Current basic salary levels are as follows:

	P C Slabbert	A G Lewis
Year ended 30 September 2012	£280,000	£200,000
Year ended 30 September 2013	£280,000	£200,000
Percentage increase	0%	0%
Year commencing 1 October 2013	£330,000	£252,000
Percentage increase	18%	26%

The Group's employees have received an annual cost of living increase of approximately 2.25% over the same period, excluding promotional increases and increases based on exceptional performance.

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

Comparator group of companies for reward benchmarking:

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

The 2011 benchmarking report confirmed that both the Chief Executive and Group Finance Director were being paid salaries at a level below the minimum pay range found in the comparator group. Based upon the report, the significant growth delivered and the future prospects for growth, the Committee implemented a new remuneration strategy in October 2011. This aimed to target the median pay level identified in the Ernst & Young report, not by a single large increase, but in stages when performance justified a change that the Company could then afford to pay. The first incremental step towards the target median was made with effect from 1 October 2011 when Mr Slabbert's salary was increased from £235,000 to £280,000 (a 19% increase) and Mr Lewis's salary was increased from £162,000 to £200,000 (a 24% increase).

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

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

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

Private medical insurance, life assurance and small loans in connection with the jointly owned equity awards under the Performance Share Plan are the only benefits in kind received by the Executive Directors. Cash for car allowances were phased out in 2009 and rolled into basic salary.

Annual cash 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. Bonus payments are not pensionable.

2012/13

For the year ended 30 September 2013, 80% of Mr Slabbert's bonus potential, capped at 100% of salary, was based on the achievement of Group financial targets. The remaining 20% was based on achieving measurable personal performance targets, as shown below. 70% of Mr Lewis's bonus potential, capped at 80% of salary, was based on the achievement of Group financial targets with the remaining 10% being based on achieving measurable personal performance targets, also as shown below:

	PC Slabbert	AG Lewis
1. FINANCIAL TARGETS		
(a) Group profit budget achievement (Group PBITE)	30%	25%
Less than 90% of budget pays nothing. Bonus is earned from 90% of budget pro-rata up to 110% of budget on a straight line basis. Measured (for foreign exchange translation) at budget exchange rates.		
(b) Profit growth on previous year (year on year PBITE growth)	30%	25%
Bonus will be earned for growth between 0% and 10% on a straight line basis. Measured (for foreign exchange translation) at prior year exchange rates (i.e. constant currency measure).		
(c) Group cash generation (ratio of operating cash flow to operating profit)	20%	20%
As reported in the Annual Report and Accounts each year. Pays on a straight line basis where the ratio exceeds 80% up to a maximum of 100%. Excludes exceptional items as per IFRS from both measures.		
2. PERSONAL PERFORMANCE TARGETS		
A portion of bonus can be earned based on an individual reviewer's assessment of personal performance against personal performance targets set at the beginning of the financial year.	20%	10%
TOTAL potential bonus 2013 as a percentage of basic salary	**100%**	**80%**

These performance measures were the same as in 2011/12 and closely align the performance of the Executive Directors with the strategy of the Company's business and shareholder value creation. The personal performance targets are a set of non-financial personal targets which also support the delivery of the strategy.

2013/14

The Committee has decided that the Executive Directors should be able earn annual bonus in excess of 100% of salary in return for delivering exceptional EPS growth in excess of 20% each year.

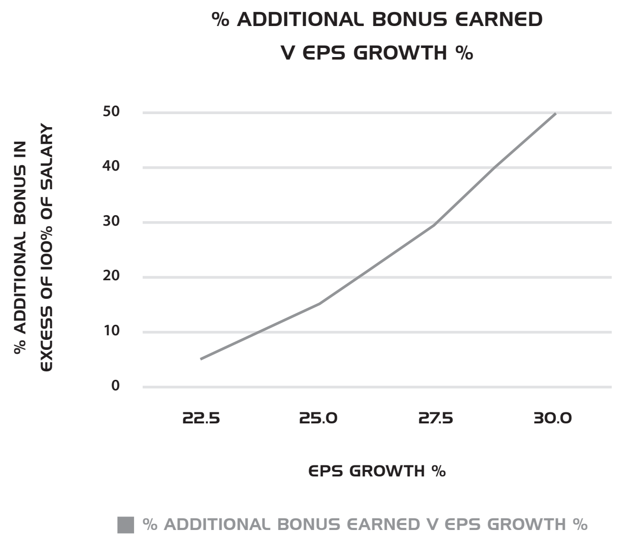
For the annual bonus plan for the 2013/14 year (commencing 1 October 2013), the maximum bonus potential will be increased to 150% of salary for Mr Slabbert and 150% of basic salary for Mr Lewis. These percentages will be fixed for the next three years.

For the first 100% of salary, the split of targets will be consistent with those used in the 2012/13 year. The additional 50% of salary will only be payable for truly exceptional performance, calculated according to a ratchet based on earnings per share growth. The ratchet only applies to EPS growth in excess of 20% over the previous year.

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

Annual bonus award in excess of 100% of salary up to a further 50% salary		EPS measure
PC Slabbert	AG Lewis	
5%	5%	for the first 2.5% of additional growth
10%	10%	for the second 2.5% of additional growth
15%	15%	for the third 2.5% of additional growth
20%	20%	for the fourth 2.5% of additional growth

"EPS" means, in relation to any year, the fully diluted earnings per share of the Company as adjusted to exclude the charge/credit in respect of exceptional items, the revaluation or impairment of assets, the charge or credit related to IAS19 and the amortisation of acquired intangible assets.



The Committee strongly believes it is necessary to incentivise the Executive Directors to deliver truly exceptional performance and to counterbalance the restriction on salaries moving forward only at the median level when the Committee is trying to implement a strategy for growth well above the median in the comparator group. It is expected that this bonus policy will be fixed for at least the next three years to reflect the challenge placed on the team of achieving sustainable high growth in a non-turnaround situation.

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

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

The Remuneration Committee introduced this Plan with shareholder approval at the AGM in 2002 and in 2010 shareholders approved 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 maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the Plan's performance conditions which are based on total shareholder return (TSR) and earnings per share (EPS). The Committee believes that these financial performance conditions remain appropriate for a growing business and the expectations of shareholders over the next three years and intends to apply them to the next cycle of awards in December 2013. Non-financial performance conditions are not considered appropriate at the current stage in the development of the Group although this will be kept under review.

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

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

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

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

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

The above schedule reflects the Remuneration Committee's intention to reward only TSR performance which outperforms the comparator group and the Committee's view is that measuring this by reference to median and upper quartile placing remains appropriate. In 2011 the Committee reduced the minimum TSR vesting target from 40% to 30%. While the Committee has noted that market practice is moving towards a 25% minimum vesting level it has decided not to implement a further reduction this year, but this issue will be kept under review and this change may feature in future awards.

Vesting according to the ranking of the Company's TSR in the peer group

	% of award vesting
Below median	Nil
Median	30%
Upper quartile	100%

For the EPS measure, the earnings per share over the performance period are compared to a scale which provides for nil vesting at RPI +3% and maximum vesting at RPI +8%, with vesting on a pro rata basis for performance between these two figures. This range was first introduced for the awards made in December 2011 and the Committee believes it remains appropriate. It is difficult to link the EPS target to broker forecasts which only look out one year, but if inflation is assumed at 3%, then under the EPS measure the Group has to grow profits by 20% over three years to achieve minimum vesting and by 35% to achieve maximum vesting. These measures are ahead of expectations for businesses in the Company's sector where longer-term forecasts are published.

EPS growth targets

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

In addition, the Committee 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 currently be granted under the Plan rules in any year remains 100% of salary.

The Committee's future policy is that both Mr Slabbert and Mr Lewis should receive awards equal to 100% of salary, being the median level identified in the 2011 Ernst & Young benchmarking report. This will be fixed for the next three years and reviewed again by reference to a new benchmarking report in September 2016.

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

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

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

As announced to shareholders in December 2012, joint ownership awards, nil cost options and conditional awards of shares were granted under the 2010 Plan to the Executive Directors, members of the Group Executive management team and other valued employees and a further award will be made in December 2013 within the parameters of the Plan as described above and at 100% of salary for both the Chief Executive and Group Finance Director.

Shareholding guidelines

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

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

Dilution

The Company reviews the awards of shares made under the all-employee and executive share plans in terms of their effect on dilution limits in any rolling ten-year period. The current position is set out on page 69.

Other share plans

Shareholders approved the introduction of the Avon Rubber p.l.c. Share Incentive Plan (the SIP) at the AGM in February 2012. All UK tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP participants purchase shares in the Company monthly using deductions from their pre-tax pay. The maximum contribution each month under the SIP is £125, a sum which is set by the Government. Both Mr Slabbert and Mr Lewis participate in the SIP at the maximum level.

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

Pension arrangements

Mr Slabbert and Mr Lewis are both based in the UK and are members of the Avon Rubber Retirement and Death Benefits Plan. Until 30 September 2009, when the final salary section of the Plan closed to future accrual of benefits, Mr Slabbert was a member of the Senior Executive Section which provided members with a defined level of benefit on retirement depending on length of service and earnings. Members can receive a pension of up to two-thirds of pensionable salary on retirement from age 60, provided the minimum service requirement of 20 years has been met. On death in service, a lump sum of four times pensionable salary is paid, along with a spouses' pension of one half of the member's prospective pension. When an executive director dies after retirement, a spouse's pension of one half of the member's pension is paid. At the time the final salary section of the Plan closed to future accrual of benefits, in return for Mr Slabbert giving up this valuable benefit, the Company and the Trustee agreed to enter into a special benefit arrangement. Under this arrangement for each complete year subsequently worked by Mr Slabbert, the age by reference to which a reduction would be applied to his pension if he chose to draw it early would reduce by 5/8ths of a year, with the end result that after eight years, no reduction would apply if Mr Slabbert retired on or after his 55th birthday. Thus, each year over an eight year period the age at which Mr Slabbert can retire early, on an unreduced basis, reduces by 7.5 months. The Company will fund this benefit on Mr Slabbert's retirement.

During the year to 30 September 2013 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. Under this section members receive a pension based upon the size of their retirement account on retirement from age 65. On death in service, a lump sum of four times pensionable salary is paid, along with a spouse's pension of one quarter of the member's pensionable salary. Both Mr Slabbert and Mr Lewis receive a company pension contribution of 15% of salary.

In January 2012 Mr Slabbert's total pension benefits reached the standard lifetime allowance of £1.8m and he ceased making contributions into the money purchase section of the Plan. The Company continued to set aside pension contributions on his behalf during the year and these were subsequently paid as a salary supplement. Monthly contributions are now paid to Mr Slabbert as a salary supplement. Mr Slabbert remains covered by the death in service insurance notwithstanding that he is no longer an active member of the Plan.

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

There is no intention to increase pension contributions to the Executive Directors over the next three years.

Service contracts and policy on payments for loss of office

The Company's policy is that Executive Directors should normally be employed under a contract which may be terminated by either the Company or the Executive Director giving 12 months' notice and which otherwise expires on retirement, 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. There are no obligations to make payments beyond those disclosed elsewhere in this report.

The Remuneration Committee may vary these terms if the particular circumstances surrounding the appointment of a new executive director demand it but this would be exceptional and has never occurred. The parameters for varying the contractual terms on recruitment are described in the guiding policy section above. The Remuneration Committee strongly endorses the obligation on an executive director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded. The Executive Directors' contracts contain early termination provisions consistent with the policy outlined above.

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

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

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

	Contract date	Years to expected retirement	Company notice period	Executive notice period
P.C. Slabbert	28 September 2009	9	12 months	12 months
A.G. Lewis	28 September 2009	23	12 months	12 months

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors receive a fixed fee for their services. Fee levels are determined by the Board in light of market research and benchmarking advice provided by Ernst & Young. Fee levels are reviewed from time to time. In future, fee levels for the Chairman and Non-Executive Directors will be benchmarked every three years and adjusted to the median level of the comparator group. The next benchmarking will take place in 2014 with any increase effective on 1 October 2014. The Chairman and the Non-Executive Directors do not participate in any Board discussions or vote on their own remuneration, nor do they participate in any incentive or benefit plans.

Current fees are as follows:

	2014	2013	% increase
Chairman	£100,000	£100,000	No change
Base fee Non-Executive	£35,000	£35,000	No change
Committee Chairman fee	£10,000	£10,000	No change

The Chairman and the Non-Executive Directors each have a letter of appointment. The initial period of appointment for Mrs Pirie was three years and this was extended for a further three years on 1 March 2008 and on a rolling annual basis on 1 March 2011. The initial period of appointment for Mr Evans was also three years and this was extended on a rolling annual basis on 31 May 2010. Mr Wood was appointed on a rolling annual basis with effect from 1 December 2012.

Chairman and Non-Executive Director appointments are subject to Board approval and election by shareholders at the AGM following appointment and, thereafter, re-election by rotation every three years. The Chairman and any Non-Executive Director who has served for more than nine years since first election are subject to annual re-election by shareholders. Mrs Pirie will reach nine years' service on 1 March 2014 and a succession plan will be considered and communicated to shareholders in the coming year. There are no provisions for compensation payments on early termination in the Chairman's and the Non-Executive Directors' letters of appointment. The date of each appointment is set out below, together with the date of their last re-election.

	Date of initial appointment	Date of last re-election
D.R. Evans	1 June 2007	7 February 2013
S.J. Pirie OBE	1 March 2005	2 February 2011
R.K. Wood	1 December 2012	7 February 2013

Annual report on remuneration

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

Directors' remuneration for the year ended 30 September 2013 was as follows:

	Basic salary and fees £000	Pension/ other supplements £000	Annual bonus* £000	Other benefits** £000	Total 2013 £000	Total 2012 £000
Executive Directors						
A.G. Lewis	200	30	149	2	**381**	295
P.C. Slabbert (highest paid Director)	280	42	241	3	**566**	436
Non-Executive Directors						
D.R. Evans (Chairman)	100	-	-	-	**100**	81
S.J. Pirie OBE (Non-Executive)	45	-	-	-	**45**	45
R.K. Wood (appointed 1 December 2012)	36	-	-	-	**36**	-
The Rt. Hon. Sir Richard Needham (resigned 7 February 2013)	16	-	-	-	**16**	73
Total 2013	677	72	390	5	**1,144**	
Total 2012	679	72	175	4		930

* 2013 bonus payments as a percentage of salary were 86% for Mr Slabbert and 75% for Mr Lewis, against maximum percentages of 100% and 80% respectively.

** This is the cost of private health insurance, executive medical and the benefit of loans made in relation to PSP awards.

No Director waived emoluments in respect of the year ended 30 September 2013 (2012: nil).

Single total figure of remuneration

The following table gives a single total figure of remuneration for the Chief Executive and Group Finance Director for 2013 and 2012. The principal additional component included in this single figure is the Performance Share Plan.

		Fixed pay				Pay for performance			Total Remuneration £000
		Basic salary £000	Pension/ other supplements £000	Benefits in kind £000	Subtotal £000	Annual bonus £000	PSP* £000	Subtotal £000	
P.C. Slabbert	2013	280	42	3	325	241	808	1,049	1,374
	2012	280	42	2	324	112	1,428	1,540	1,864
A.G. Lewis	2013	200	30	2	232	149	397	546	778
	2012	200	30	2	232	63	691	754	986

* Calculated by multiplying the number of shares that vested (in both cases the maximum number subject to the award) by the share price on the day of vesting, which in 2013 was 351p and in 2012 was 310p.

The table of Directors' remuneration for the year ended 30 September 2013 above gives the single total figure for the Non-Executive Directors for 2013 and 2012.

Percentage change in remuneration of the CEO compared with other employees

The Committee believes that because the remuneration strategy since 2011 has been focused on bringing Executive Director salaries up to the median level, a comparison with the wider workforce, who are largely already at the median level, is meaningless. The Committee has therefore chosen a comparator group comprising the Group Executive management team and divisional management teams as set out below:

Group Executive management team (in addition to the Chief Executive and Group Finance Director)

- Company Secretary
- Chief Operating Officer, Protection & Defence
- Managing Director, Dairy

Protection & Defence divisional management team (in addition to the Chief Operating Officer)

- VP Global Manufacturing
- Director of Sales North America
- Global Director of Marcom and Product Management
- Director of National Accounts
- Director of Innovation and Product Development
- Finance Director
- Sales Director Europe & Asia Pacific

Protection & Defence business development team (in addition to the Chief Executive)

- Chief Technical Officer
- Commercial Director
- VP Business Development & DOD Sales

Dairy divisional management team (in addition to the Managing Director)

- VP Finance
- VP Strategy, Sales & Marketing
- VP Global Operations

The following table sets out the percentage change in remuneration between the reported year and the preceding year in certain aspects of the CEO's remuneration and the average of the above comparator group of employees:

	CEO		Comparator Group	
	2011/2012	2012/2013	2011/2012	2012/2013
Salary	+19%	0%	+11%	+4%
Benefits	+19%	0%	+26%	+8%
Annual Bonus	-15%	+126%	-38%	+120%

Relative importance of spend on pay

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

	Global remuneration spend	Other expenditure in £'000 and as a percentage of global remuneration spend							
		Dividends to shareholders		Profit retained		Research and development expenditure		Expenditure on property, plant and machinery	
	£'000	£'000	%	£'000	%	£'000	%	£'000	%
2013	33,601	1,132	3.4%	8,496	25.3%	6,407	19.1%	6,175	18.4%
2012	30,580	941	3.1%	6,888	22.5%	6,627	21.7%	4,789	15.7%

Annual bonus

The Remuneration Committee determined at its meeting on 19 November 2013 that the criteria for making an award under the annual bonus scheme had been met. No discretion was exercised by the Committee to reduce or increase payments. The breakdown is as follows:

	PC Slabbert		AG Lewis	
	Actual	Max.	Actual	Max.
1. Financial Targets				
(a) Group profit budget achievement (Group PBITE)	26%	30%	22%	25%
(b) Profit growth on previous year (year on year PBITE growth)	30%	30%	25%	25%
(c) Group cash generation (ratio of operating cashflow to operating profit)	20%	20%	20%	20%
2. Personal Performance Targets	10%	20%	8%	10%
Total potential bonus as a percentage of basic salary	**86%**	**100%**	**75%**	**80%**

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

Pensions

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

	£
Increase in accrued pension during 2012/13 (net of inflation)	-
Increase in accrued pension during 2012/13	1,457
Accrued pension at 30 September 2013	66,376
Transfer value at 30 September 2012	1,195,508
Value at 30 September 2012	1,298,378
Value at 30 September 2013	1,327,528
Increase in value (net of Director's contributions) - based on previously quoted figures	132,020
Value of increase in accrued pension during 2012/13 (net of inflation and Director's contributions)	-

The age at which Mr P C Slabbert may take his pension unreduced was reduced by 5/8ths of a year over the year to 30 September 2013.

On closure of the defined benefit scheme Mr Slabbert joined the money purchase section of the plan. Company contributions in respect of Mr Slabbert during the year were nil (2012: £21,000) because Mr Slabbert reached the standard lifetime allowance in January 2012. During the year £42,000 (2012: £21,000) was paid to Mr Slabbert in monthly instalments as a salary supplement.

In respect of Mr A G Lewis, Company contributions to the money purchase section of the plan were £30,000 (2012: £30,000).

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

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

The accrued entitlement shown is the amount that would be paid each year at normal retirement age, based on service to the end of the current year. The accrued lump sum, under the defined benefit scheme, for Mr Slabbert at 30 September 2013 was £318,748 (2012: £308,306).

Directors' shareholdings and share interests

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

	At the end of the year	At the beginning of the year
The Rt. Hon. Sir Richard Needham (resigned 7 February 2013)	N/A	65,900
S.J. Pirie	82,000	82,000
D.R. Evans	40,000	40,000
R.K. Wood (appointed 1 December 2012)	-	N/A
P.C. Slabbert	187,116	140,097
A.G. Lewis	100,496	75,122

Interests in jointly owned shares held by the Executive Directors under the Performance Share Plan are excluded from the above and detailed separately on page 69.

The only change in the interests set out above between 30 September 2013 and 20 November 2013 were the additional shares bought by Mr P C Slabbert and Mr A G Lewis under the Share Incentive Plan, which increased their total shareholdings to 187,161 and 100,541 respectively.

The register of Directors' interests contains details of Directors' shareholdings and share options. The position under the shareholding guidelines for the Executive Directors is set out on page 69.

Performance Share Plan 2010 (the Plan)

For grants of joint ownership awards, options or conditional awards made to date pursuant to the Plan, the performance conditions have been based on the Company's TSR relative to the TSR of a comparator group, comprising the FTSE Small Cap companies (excluding investment trusts). For the Cycles granted in 2011/12 and 2012/13 a split performance condition applied so that 50% of the award vests in accordance with the TSR target and 50% in accordance with an EPS target based on real growth in earnings over the performance period where real growth is expressed as a percentage above inflation.

In September 2011 the Remuneration Committee decided that the performance condition should be changed to a twofold test based on TSR performance and EPS, bringing future awards in line with market practice and thereby encouraging management to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer term shareholder return. The twofold test was used again for the 2012/13 awards. In 2011, the Committee set the EPS target as nil vesting at RPI +3% and maximum vesting at RPI +8% with vesting on a pro rata basis in between these two figures. This EPS target was used again for the 2012/13 awards.

The Committee determined in December 2012 that the 2009/10 award vested in full on the basis that the TSR over the three years from 1 October 2009 to 30 September 2012 was significantly ahead of the upper quartile of the comparator group. As a consequence, and as announced to shareholders in December 2012, 230,126 shares were awarded to Mr Slabbert and 112,971 shares were awarded to Mr Lewis.

The Directors' contingent interests in ordinary shares under the Plan at 30 September 2013 were as follows:

	30 Sept 2012	Granted in the year	Exercised in the year*	Lapsed in the year	30 Sept 2013**
P.C. Slabbert	441,050	82,063	(230,126)	-	292,987
A.G. Lewis	231,038	46,893	(112,971)	-	164,960
Other senior employees***	823,783	221,282	(336,973)	(12,347)	695,745
Total	1,495,871	350,238	(680,070)	(12,347)	1,153,692

* The market price at the vesting date for the 2009/10 award was 351.0 pence.

** The weighted average remaining life of the awards outstanding at the year-end is 1.1 years (2012: 1.0 years).

*** This figure includes 241,267 (2012: 284,550) in respect of key management as defined in note 9 of the financial statements.

Outstanding awards granted annually under the Plan were as follows:

	2010	2011	2012	Total at 30 Sept 2013*
P.C. Slabbert	123,424	87,500	82,063	292,987
A.G. Lewis	68,067	50,000	46,893	164,960
Other senior employees	268,810	205,653	221,282	695,745
Total	460,301	343,153	350,238	1,153,692

* In relation to the awards outstanding at 30 September 2013, deferred consideration payments will become due to the Company for the awards granted in 2010/11 as follows: PC Slabbert £16,921 (2012: £32,317); AG Lewis £9,332 (2012: £16,890) and a deferred loan payment for the awards granted in 2011/12 and 2012/13 will become due as follows: PC Slabbert £10,000 (2012: £5,600); AG Lewis £6,642 (2012: £3,200).

The market price at the award date for the 2012/13 award was 349.5 pence, for the 2011/12 award it was 300.0 pence, for the 2010/11 award it was 196.0 pence and for the 2009/10 award it was 81.5 pence.

PSP performance period years ending	30 Sept 2011 (Cycle A)	30 Sept 2012 (Cycle B)	30 Sept 2013*** (Cycle C)	30 Sept 2014**** (Cycle D)	30 Sept 2015**** (Cycle E)
TSR element*	100%	100%	100%	50%	50%
EPS element**	-	-	-	50%	50%
Total exercisable rate (% of grant)	100%*****	100%******	-	-	-

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

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

*** The three-year performance period in respect of these awards is complete but vesting is not determined until the end of November following release of the Group results. Currently expected to vest in full.

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

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

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

Position under shareholding guidelines

	Shareholding as at 30 Sept 2013* Number of shares	Actual Value** £000	Target Value*** £000	Achievement**** %
PC Slabbert	187,116	1,029	495	312
AG Lewis	100,496	553	378	219

* Taken from the table on page 68.

** Using the closing share price on 30 September 2013 of 550p.

*** 150% of current salary for Executive Directors for awards vesting up to. December 2013. Salaries used are those effective 1 October 2013.

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

Dilution

In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 6.89% and 9.01% respectively based on the issued share capital at 30 September 2013.

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

As at 30 September 2013, the number of shares committed under discretionary share-based incentive schemes since 30 September 2002, less the number of shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trusts gives 2,116,840 shares. This represents 6.89% dilution against the 10% discretionary plan dilution limit.

As at 30 September 2013, the number of shares committed under all employee share-based incentive schemes since 30 September 2002, less the number of shares purchased in the market to satisfy previous awards that had vested and the shares held in the Employee Share Ownership Trusts gives 2,767,386 shares which represents 9.01% dilution against the 15% all employee plan dilution limit.

It remains the Company's practice to use employee share ownership trusts in order to meet its liability for shares awarded under the Plan. Two trusts have been established, the second in March 2010 in connection with the jointly owned equity awards. In December 2012 the Avon Rubber p.l.c. Employee Share Ownership Trust No. 1 purchased 521,539 shares in the market to be used in relation to future awards under the Plan. At 30 September 2013 there were 1,242,111 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 future awards. Of these, 801,360 were held on a jointly owned equity basis. A Hedging Committee ensures that the employee share ownership trusts hold sufficient shares to satisfy existing and future awards made under the Plan by buying shares in the market or causing the Company to issue new shares.

Total shareholder return performance graph

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

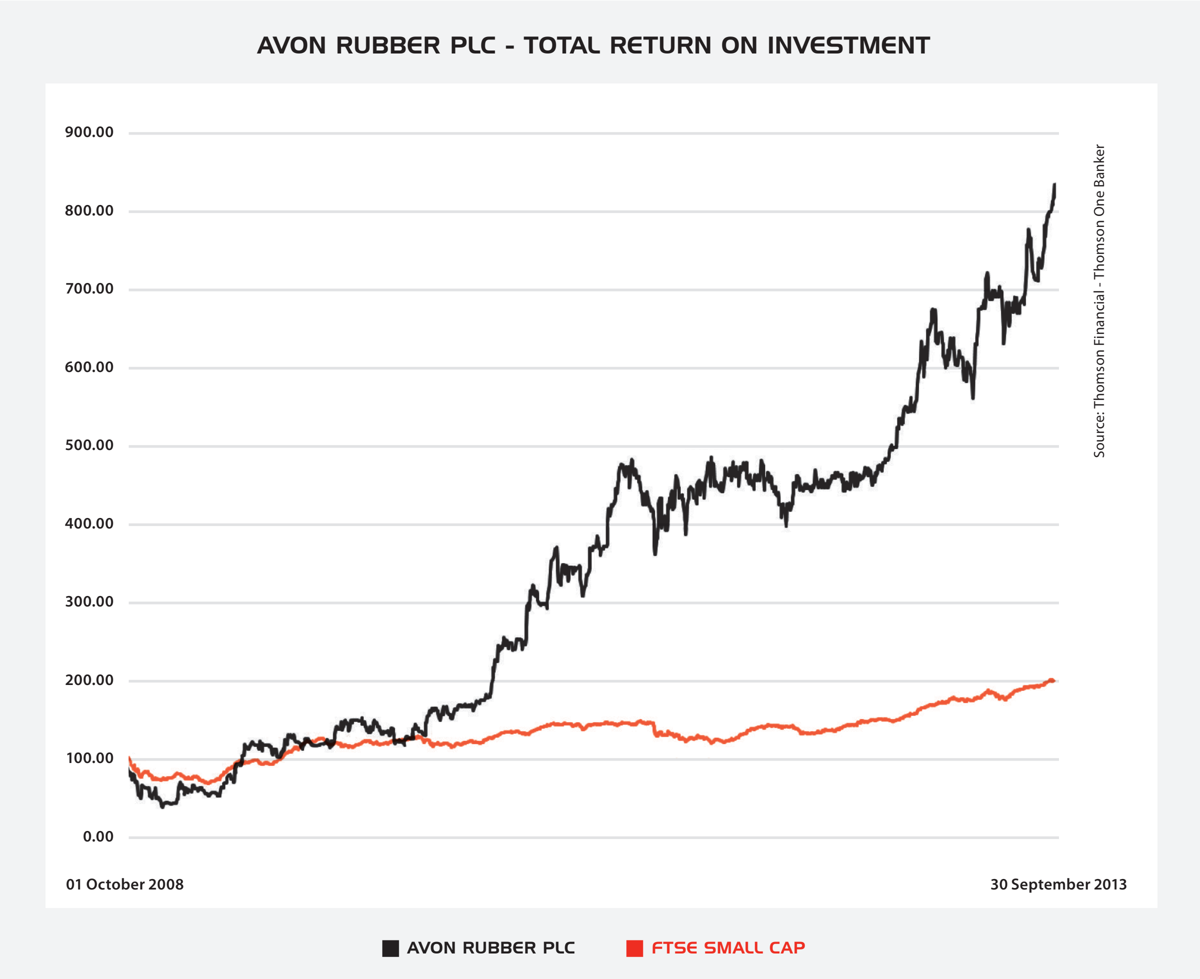


Table of historic data

	CEO	CEO single figure of total remuneration £000	Annual bonus pay out against maximum opportunity	Long term incentive vesting rates against maximum opportunity
2013	P.C. Slabbert	1,374	86%	100%
2012	P.C. Slabbert	1,864	40%	100%
2011	P.C. Slabbert	404	74%	nil
2010	P.C. Slabbert	428	90%	nil
2009	P.C. Slabbert	399	91%	nil

Share Incentive Plan

During the year to 30 September 2013 Mr Slabbert and Mr Lewis each purchased 374 shares pursuant to the Share Incentive Plan.

As at 30 September 2013, the market price of Avon Rubber p.l.c. shares was £5.50 (2012: £3.12). During the year the highest and lowest market prices were £5.50 and £2.98 respectively.

Payments to past Directors and payments for loss of office

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

Statement of implementation of remuneration policy in the following year

Information required under this new disclosure is contained in the table on pages 56 to 57 and associated commentary.

Details of the advisors to the Remuneration Committee and their fees

During the year to 30 September 2013 the Company incurred costs of £3,750 (2012: £15,500) in respect of fees for advisors to the Remuneration Committee.

Statement of shareholder voting on the Remuneration Report

The advisory shareholder vote on the Remuneration Report for the year ended 30 September 2012 at the AGM which took place on 7 February 2013 was as follows:

Resolution text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the renumeration report	18,923,638	99.39	115,608	0.61	19,039,246	248,886

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

Richard Wood
Chairman of the Remuneration Committee
20 November 2013

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Revenue	1	**124,851**	106,636
Cost of sales		**(91,140)**	(75,803)
Gross profit		**33,711**	30,833
Distribution costs		**(5,433)**	(5,013)
Administrative expenses		**(14,855)**	(14,199)
Operating profit	1	**13,423**	11,621
Operating profit is analysed as:			
Before depreciation, amortisation and exceptional items		**20,023**	16,358
Depreciation and amortisation of development costs and software	11,12	**(5,800)**	(4,737)
Operating profit before amortisation of acquired intangibles and exceptional items		**14,223**	11,621
Amortisation of acquired intangibles	3	**(417)**	-
Exceptional items	3	**(383)**	-
Operating profit		**13,423**	11,621
Finance income	4	**1**	7
Finance costs	4	**(348)**	(249)
Other finance income/(expense)	4	**118**	(374)
Profit before taxation	5	**13,194**	11,005
Taxation	6	**(3,566)**	(3,176)
Profit for the year		**9,628**	7,829
Other comprehensive expense			
Items that are not subsequently reclassified to the income statement			
Actuarial loss recognised in retirement benefit scheme	10	**(9,971)**	(3,098)
Items that may be subsequently reclassified to the income statement			
Net exchange differences offset in reserves		**(74)**	(917)
Other comprehensive expense for the year, net of taxation		**(10,045)**	(4,015)
Total comprehensive (expense)/income for the year		**(417)**	3,814
Earnings per share	8		
Basic		**32.7p**	26.9p
Diluted		**31.4p**	25.4p
Adjusted earnings per share	8		
Basic		**35.4p**	26.9p
Diluted		**34.0p**	25.4p

Consolidated Balance Sheet

at 30 September 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Intangible assets	11	**16,541**	13,281
Property, plant and equipment	12	**20,387**	17,878
		36,928	31,159
Current assets			
Inventories	13	**13,374**	15,449
Trade and other receivables	14	**20,677**	14,616
Derivative financial instruments	19	**214**	121
Cash and cash equivalents	15	**184**	176
		34,449	30,362
Liabilities			
Current liabilities			
Trade and other payables	16	**16,680**	15,748
Provisions for liabilities and charges	18	**616**	616
Current tax liabilities		**6,073**	5,160
		23,369	21,524
Net current assets		**11,080**	8,838
Non-current liabilities			
Borrowings	17	**11,059**	8,901
Deferred tax liabilities	6	**2,977**	2,584
Retirement benefit obligations	10	**11,279**	2,238
Provisions for liabilities and charges	18	**1,997**	2,377
		27,312	16,100
Net assets		**20,696**	23,897
Shareholders' equity			
Ordinary shares	20	**30,723**	30,723
Share premium account	20	**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**(626)**	(552)
Accumulated losses		**(44,609)**	(41,482)
Total equity		**20,696**	23,897

These financial statements on pages 72 to 110 were approved by the Board of Directors on 20 November 2013 and signed on its behalf by:

Peter Slabbert

Andrew Lewis

Consolidated Cash Flow Statement

for the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations	21	**15,300**	14,726
Finance income received		**1**	7
Finance costs paid		**(365)**	(300)
Retirement benefit deficit recovery contributions		**(592)**	(625)
Tax paid		**(2,229)**	(262)
Net cash generated from operating activities		**12,115**	13,546
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2**	4
Purchase of property, plant and equipment		**(6,339)**	(4,815)
Capitalised development costs and software		**(4,715)**	(4,697)
Acquisition of VR Technology Holdings	26	**(439)**	-
Net cash used in investing activities		**(11,491)**	(9,508)
Cash flows from financing activities			
Net movements in loans	22	**2,281**	(2,808)
Dividends paid to shareholders	7	**(1,132)**	(941)
Purchase of own shares	20	**(1,765)**	(279)
Net cash used in financing activities		**(616)**	(4,028)
Net increase in cash, cash equivalents and bank overdrafts		**8**	10
Cash, cash equivalents and bank overdrafts at beginning of the year		**176**	167
Effects of exchange rate changes		**-**	(1)
Cash, cash equivalents and bank overdrafts at end of the year	22	**184**	176

Consolidated Statement of Changes in Equity

for the year ended 30 September 2013

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 October 2011		30,723	34,708	865	(45,124)	21,172
Profit for the year		-	-	-	7,829	7,829
Unrealised exchange differences on overseas investments		-	-	(917)	-	(917)
Actuarial loss recognised in retirement benefit scheme	10	-	-	-	(3,098)	(3,098)
Total comprehensive income for the year		-	-	(917)	4,731	3,814
Dividends paid	7	-	-	-	(941)	(941)
Purchase of shares by the employee benefit trust	20	-	-	-	(279)	(279)
Movement in respect of employee share schemes	24	-	-	-	131	131
At 30 September 2012		30,723	34,708	(52)	(41,482)	23,897
Profit for the year		**-**	**-**	**-**	**9,628**	**9,628**
Unrealised exchange differences on overseas investments		**-**	**-**	**(74)**	**-**	**(74)**
Actuarial loss recognised in retirement benefit scheme	10	**-**	**-**	**-**	**(9,971)**	**(9,971)**
Total comprehensive expense for the year		**-**	**-**	**(74)**	**(343)**	**(417)**
Dividends paid	7	**-**	**-**	**-**	**(1,132)**	**(1,132)**
Purchase of shares by the employee benefit trust	20	**-**	**-**	**-**	**(1,765)**	**(1,765)**
Movement in respect of employee share schemes	24	**-**	**-**	**-**	**113**	**113**
At 30 September 2013		**30,723**	**34,708**	**(126)**	**(44,609)**	**20,696**

Other reserves consist of the capital redemption reserve of £500,000 (2012: £500,000) and the translation reserve of £626,000 (2012: £552,000).

All movement in other reserves relates to the translation reserve.

Accounting policies

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

Basis of preparation

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

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

Recent accounting developments

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) or by the International Financial Reporting Interpretations Committee (IFRIC) but have not yet been adopted. Subject to endorsement by the European Union, these will be adopted in future periods. The Group's approach to these is as follows:

a) Standards, amendments and interpretations effective in 2013

The following amendment has been adopted for the year ended 30 September 2013:

- Amendment to IAS 1, 'Presentation of Items of Other Comprehensive Income'

The adoption of this amendment has not had a material impact on the financial information as it only requires additional disclosure in the consolidated statement of other comprehensive income.

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2012 and have not been adopted early:

- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- Amendment to IAS 12, 'Income taxes'
- Amendment to IAS 19, 'Employee benefits'

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

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

This is expected to lead to an increase in the costs charged to the income statement of £0.8m for the year ending 30 September 2014 over the cost under the existing standard and a 2.6p reduction in earnings per share, with a similar impact on the comparative figures for the year ended 30 September 2013.

	2013			2014		
	Existing standard £'000	Adjustment £'000	Revised standard £'000	Existing standard £'000	Adjustment £'000	Revised standard £'000
Expected return on assets	(12,974)	12,974	-	(13,540)	13,540	-
Interest on liabilities	12,636	(12,603)	33	13,192	(13,180)	12
Administration expenses	-	421	421	-	430	430
Total pension costs	(338)	792	454	(348)	790	442

Basis of consolidation

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

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

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

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

Foreign currencies

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

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

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

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

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

Revenue

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

Segment reporting

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

Exceptional items

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

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

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

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

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

Share based compensation

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

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

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

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

Intangible assets

Goodwill

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

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

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

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

Development Expenditure

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

Computer Software

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

Property plant and equipment

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

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

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

In general, the rates used are:

- Freehold – 2.5%
- Short leasehold property – over the period of the lease
- Plant and machinery – 6% to 50%.

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

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

Leases

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

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade payables

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

Provisions

Provisions are recognised when:

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

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

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

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

Borrowings

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

Taxation

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

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

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

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

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

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

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

Dividends

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

Share capital

Ordinary shares are classified as equity.

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

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

Critical accounting judgements

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

Areas which management believes require the most critical accounting judgements are:

Retirement benefit obligations

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

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

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

Inventory provisions

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

Impairment of intangible assets

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

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

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

Provisions

Provisions are made in respect of receivables/accrued income, claims, 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.

Taxation

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

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

1 SEGMENT INFORMATION

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

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

Business segments

year ended 30 September 2013

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	93,137	31,714		124,851
Segment result before depreciation, amortisation and exceptional items	16,136	5,835	(1,948)	20,023
Depreciation of property, plant and equipment	(3,221)	(623)	(52)	(3,896)
Amortisation of development costs and software	(1,868)	(32)	(4)	(1,904)
Segment result before amortisation of acquired intangibles and exceptional items	11,047	5,180	(2,004)	14,223
Amortisation of acquired intangibles	(417)			(417)
Exceptional items	(383)			(383)
Segment result	10,247	5,180	(2,004)	13,423
Finance income			1	1
Finance costs			(348)	(348)
Other finance income			118	118
Profit before taxation	10,247	5,180	(2,233)	13,194
Taxation			(3,566)	(3,566)
Profit for the year	10,247	5,180	(5,799)	9,628
Segment assets	57,556	11,748	2,073	71,377
Segment liabilities	10,691	3,371	36,619	50,681
Other segment items				
Capital expenditure				
- intangible assets	3,474	304	809	4,587
- property, plant and equipment	4,665	1,419	91	6,175

The Protection & Defence segment includes £51.9m (2012: £45.9m) 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 2012

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	74,586	32,050		106,636
Segment result before depreciation and amortisation	11,613	6,506	(1,761)	16,358
Depreciation of property, plant and equipment	(2,594)	(468)	(102)	(3,164)
Amortisation of development costs and software	(1,516)	(55)	(2)	(1,573)
Segment result	7,503	5,983	(1,865)	11,621
Finance income			7	7
Finance costs			(249)	(249)
Other finance expense			(374)	(374)
Profit before taxation	7,503	5,983	(2,481)	11,005
Taxation			(3,176)	(3,176)
Profit for the year	7,503	5,983	(5,657)	7,829
Segment assets	49,191	9,760	2,570	61,521
Segment liabilities	9,781	2,681	25,162	37,624
Other segment items				
Capital expenditure				
- intangible assets	3,877	225	595	4,697
- property, plant and equipment	3,519	1,198	72	4,789

Geographical segments by origin

year ended 30 September 2013

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

year ended 30 September 2012

	UK £'000	US £'000	Group £'000
Revenue	16,318	90,318	106,636
Non-current assets	3,710	27,449	31,159

2 EXPENSES BY NATURE

	2013 £'000	2012 £'000
Changes in inventories of finished goods and work in progress	**1,828**	(740)
Raw materials and consumables used	**49,954**	45,389
Employee benefit expense (note 9)	**33,314**	30,261
Depreciation and amortisation charges (notes 11 and 12)	**6,217**	4,737
Transportation expenses	**2,173**	1,650
Operating lease payments	**1,705**	1,641
Travelling costs	**2,465**	2,072
Legal and professional fees	**2,185**	1,557
Other expenses	**11,187**	7,998
Total cost of sales, distribution costs and administrative expenses	**111,028**	94,565

3 AMORTISATION OF ACQUIRED INTANGIBLES AND EXCEPTIONAL ITEMS

	2013 £'000	2012 £'000
Amortisation of acquired intangible assets (note 11)	**417**	-

Exceptional items

	2013 £'000	2012 £'000
Relocation of AEF facility	**304**	-
Acquisition costs	**79**	-
	383	-

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

The acquisition costs relate to the purchase of VR Technology Holdings and other potential acquisitions investigated during the year.

4 FINANCE INCOME AND COSTS

	2013 £'000	2012 £'000
Interest payable on bank loans and overdrafts	**(348)**	(249)
Finance income	**1**	7
	(347)	(242)

Other finance income/(expense)

	2013 £'000	2012 £'000
Interest cost: UK defined benefit pension scheme (note 10)	**(12,636)**	(13,602)
Expected return on plan assets: UK defined benefit pension scheme (note 10)	**12,974**	13,557
Provisions: Unwinding of discount (note 18)	**(220)**	(329)
	118	(374)

5 PROFIT BEFORE TAXATION

	2013 £'000	2012 £'000
Profit before taxation is shown after crediting:		
Gain on foreign exchange	**230**	-
and after charging:		
Loss on foreign exchange	**-**	191
Loss on disposal of property, plant and equipment	**24**	57
Depreciation on property, plant and equipment	**3,896**	3,164
Repairs and maintenance of property, plant and equipment	**848**	674
Amortisation of development costs and software	**1,904**	1,573
Amortisation of acquired intangibles	**417**	-
Research and development	**2,780**	2,291
Impairment of inventories	**438**	241
Impairment of trade receivables	**5**	113
Operating leases	**1,705**	1,641
Services provided to the Group (including its overseas subsidiaries) by the Company's auditors:		
Audit fees in respect of the audit of the accounts of the Parent Company and consolidation	**30**	30
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	**80**	82
	110	112
Other services relating to taxation	**-**	111
Compensation received regarding taxation services	**(128)**	-
Other business advisory services	**-**	28
Total fees	**(18)**	251

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

6 TAXATION

	2013 £'000	2012 £'000
Overseas current tax	**3,313**	3,366
Overseas adjustment in respect of previous periods	**(139)**	172
Total current tax	**3,174**	3,538
Deferred tax – current year	**253**	(190)
Deferred tax – adjustment in respect of previous periods	**139**	(172)
Total deferred tax	**392**	(362)
Total tax charge	**3,566**	3,176

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

	2013 £'000	2012 £'000
Profit before taxation	**13,194**	11,005
Profit before taxation at the average standard rate of 23.5% (2012: 25%)	**3,101**	2,751
Permanent differences	**(238)**	(1,101)
Losses for which no deferred taxation asset was recognised	**69**	1,111
Differences in overseas tax rates	**634**	415
Tax charge	**3,566**	3,176

The income tax charged directly to equity during the year was £nil (2012: £nil).

6 TAXATION (CONTINUED)

Deferred tax liabilities	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 October 2011	2,831	154	2,985
(Credited to)/charged against profit for the year	746	(1,108)	(362)
Exchange differences	(39)	-	(39)
At 30 September 2012	3,538	(954)	2,584
Charged against/(credited to) profit for the year	**(415)**	**807**	**392**
Exchange differences	**4**	**(3)**	**1**
At 30 September 2013	**3,127**	**(150)**	**2,977**

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

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly the average standard rate for the year is 23.5%.

A number of changes to the UK corporation tax system were announced in the March 2013 Budget Statement. The Finance Bill 2012, which was substantively enacted on 2 July 2013, includes legislation reducing the main rate of corporation tax to 21% from 1 April 2014.

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

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

	2013 £'000	2012 £'000
Losses	**(2,753)**	(3,837)
Accelerated capital allowances	**(966)**	(1,676)
Retirement benefit obligations	**(2,256)**	(515)
Other	**(1,555)**	(1,230)
	(7,530)	(7,258)

7 DIVIDENDS

On 2 February 2013, the shareholders approved a final dividend of 2.4p per qualifying ordinary share in respect of the year ended 30 September 2012. This was paid on 15 March 2013 absorbing £708,000 of shareholders' funds.

On 22 April 2013 the Board of Directors declared an interim dividend of 1.44p (2012: 1.2p) per qualifying ordinary share in respect of the year ended 30 September 2013. This was paid on 6 September 2013 absorbing £424,000 (2012: £353,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.88p per qualifying ordinary share in respect of the year ended 30 September 2013, which will absorb an estimated £862,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 21 March 2014 to shareholders on the register at the close of business on 21 February 2014. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share ownership trust. The company has dilutive potential ordinary shares in respect of the Performance Share Plan (see page 68). Adjusted earnings per share removes the effect of the amortisation of acquired intangible assets and exceptional items.

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

	2013	2012
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**29,451**	29,151
Potentially dilutive shares (weighted average) (thousands)	**1,231**	1,706
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,682**	30,857

	2013 £'000	**2013 Basic eps pence**	**2013 Diluted eps pence**	2012 £'000	2012 Basic eps pence	2012 Diluted eps pence
Profit attributable to equity shareholders of the Company	**9,628**	**32.7**	**31.4**	7,829	26.9	25.4
Amortisation of acquired intangible assets and exceptional items	**800**	**2.7**	**2.6**			
Profit excluding amortisation of acquired intangibles and exceptional items	**10,428**	**35.4**	**34.0**	7,829	26.9	25.4

9 EMPLOYEES

The total remuneration and associated costs during the year were:

	2013 £'000	2012 £'000
Wages and salaries	**27,181**	23,765
Social security costs	**2,563**	2,378
Other pension costs	**822**	817
US healthcare costs	**2,635**	3,170
Share based payments (note 24)	**113**	131
	33,314	30,261

Detailed disclosures of Directors' remuneration and share options are given on pages 65 to 71.

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

	2013 Number	2012 Number
By business segment		
Protection & Defence	**533**	531
Dairy	**200**	176
Other	**9**	11
	742	718

At the end of the financial year the total number of employees in the Group was 747 (2012: 746).

Key management compensation	2013 £'000	2012 £'000
Salaries and other employee benefits	**1,641**	1,330
Post employment benefits	**101**	99
Share based payments	**70**	83
	1,812	1,512

The key management compensation above includes the Directors plus three (2012: three) others who were members of the Group Executive during the year.

10 PENSIONS AND OTHER RETIREMENT BENEFITS

Retirement benefit assets and liabilities can be analysed as follows:

	2013 £'000	2012 £'000
Pension liability	**(11,279)**	(2,238)

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

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

Pension costs are assessed on the advice of an independent consulting actuary using the projected unit method. The funding of the plan is based on regular actuarial valuations. The most recent finalised actuarial valuation of the plan was carried out at 31 March 2011 when the market value of the plan's assets was £269.3m. The actuarial value of those assets represented 98.4% of the value of the benefits which had accrued to members, after allowing for future increases in pensions.

During the year the Company made payments to the fund of £592,000 (2012: £625,000) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit recovery plan agreed following the 31 March 2011 actuarial valuation, the Company will make deficit recovery payments in 2014 of £300,000 in addition to £175,000 towards scheme expenses.

An updated actuarial valuation for IAS 19 purposes was carried out by an independent actuary at 30 September 2013 using the projected unit method.

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

	2013 % p.a.	2012 % p.a.
Inflation (RPI)	**3.10**	2.50
Inflation (CPI)	**2.10**	1.50
Pension increases post August 2005	**2.10**	1.90
Pension increases pre August 2005	**3.00**	2.50
Discount rate for scheme liabilities	**4.50**	4.55

The scheme actuary estimates a 0.1% change in the discount rate would change the value of scheme liabilities by approximately 1.6% (2012: 1.5%).

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:

	2013	2012
Male	**22.0**	22.1
Female	**24.2**	24.2

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

	2013	2012
Male	**23.4**	23.6
Female	**25.7**	25.8

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

	Long-term rate of return expected at 30 Sept 2013 % p.a.	**Value at 30 Sept 2013 £'000**	Long-term rate of return expected at 30 Sept 2012 % p.a.	Value at 30 Sept 2012 £'000
Equities	**7.90**	**130,293**	7.95	118,882
Liability driven investments	**2.65**	**84,689**	2.70	80,404
Corporate bonds	**4.50**	**30,696**	4.55	31,121
Cash	**2.65**	**43,369**	2.70	51,898
Average expected long term rate of return/total fair value of assets	**5.21***	**289,047**	5.11*	282,305

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

*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 2013.

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Reconciliation of funded status to balance sheet	2013 £'000	2012 £'000
Fair value of plan assets	**289,047**	282,305
Present value of funded defined benefit obligations	**(300,326)**	(284,543)
Liability recognised on the balance sheet	**(11,279)**	(2,238)

Amounts (credited)/charged to profit before taxation in respect of post retirement benefits	2013 £'000	2012 £'000
Interest cost	**12,636**	13,602
Expected return on plan assets	**(12,974)**	(13,557)
Total (credited)/charged to profit before taxation	**(338)**	45

As the plan is closed to future accrual, the total charge is included in other finance expense.

Changes to the present value of the defined benefit obligation during the year	2013 £'000	2012 £'000
Opening defined benefit obligation	**284,543**	278,831
Interest cost	**12,636**	13,602
Actuarial losses on plan liabilities*	**18,503**	5,662
Net benefits paid out	**(15,356)**	(13,552)
Closing defined benefit obligation	**300,326**	284,543

* Includes changes to the actuarial assumptions.

Changes to the fair value of scheme assets during the year	2013 £'000	2012 £'000
Opening fair value of plan assets	**282,305**	279,111
Expected return on plan assets	**12,974**	13,557
Actuarial gains on plan assets	**8,532**	2,564
Contributions by the employer	**592**	625
Net benefits paid out	**(15,356)**	(13,552)
Closing fair value of plan assets	**289,047**	282,305

10 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Actual return on plan assets

	2013 £'000	2012 £'000
Expected return on plan assets	**12,974**	13,557
Actuarial gain on plan assets	**8,532**	2,564
Actual return on plan assets	**21,506**	16,121

Amounts recognised as other comprehensive income

	2013 £'000	2012 £'000
Total actuarial losses recognised as other comprehensive income	**(9,971)**	(3,098)
Cumulative amount of (losses)/gains recognised as other comprehensive income	**(3,529)**	6,442

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair value of plan assets	**289,047**	282,305	279,111	270,713	253,408
Defined benefit obligation	**(300,326)**	(284,543)	(278,831)	(276,989)	(261,785)
(Deficit)/surplus in plan	**(11,279)**	(2,238)	280	(6,276)	(8,377)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Experience gains/(losses) on plan assets	**8,532**	2,564	7,758	18,696	(10,864)
Experience (losses)/gains on plan liabilities*	**(803)**	(4,864)	4,357	(6,189)	(1,917)

*This item consists of (losses)/gains in respect of liability experience only and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

In addition, commencing 1 February 2003, a defined contribution scheme was introduced for employees within the UK. The cost to the Group in respect of this scheme for the year ended 30 September 2013 was £353,000 (2012: £321,000).

11 INTANGIBLE ASSETS

	Goodwill £'000	Acquired intangibles £'000	Development expenditure £'000	Computer software £'000	Total £'000
At 1 October 2011					
Cost	-	-	18,147	1,268	19,415
Accumulated amortisation and impairment	-	-	(7,903)	(1,043)	(8,946)
Net book amount	-	-	10,244	225	10,469
Year ended 30 September 2012					
Opening net book amount	-	-	10,244	225	10,469
Exchange differences	-	-	(306)	(6)	(312)
Additions	-	-	4,205	492	4,697
Amortisation	-	-	(1,501)	(72)	(1,573)
Closing net book amount	-	-	12,642	639	13,281
At 30 September 2012					
Cost	-	-	21,778	1,736	23,514
Accumulated amortisation and impairment	-	-	(9,136)	(1,097)	(10,233)
Net book amount	-	-	12,642	639	13,281
Year ended 30 September 2013					
Opening net book amount	**-**	**-**	**12,642**	**639**	**13,281**
Exchange differences	**-**	**-**	**68**	**2**	**70**
Additions	**-**	**167**	**3,317**	**1,103**	**4,587**
Acquisitions (note 26)	**63**	**923**	**-**	**-**	**986**
Disposals	**-**	**-**	**(62)**	**-**	**(62)**
Amortisation	**-**	**(417)**	**(1,837)**	**(67)**	**(2,321)**
Closing net book amount	**63**	**673**	**14,128**	**1,677**	**16,541**
At 30 September 2013					
Cost	**63**	**1,090**	**22,450**	**2,848**	**26,451**
Accumulated amortisation and impairment	**-**	**(417)**	**(8,322)**	**(1,171)**	**(9,910)**
Net book amount	**63**	**673**	**14,128**	**1,677**	**16,541**

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

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2011				
Cost	1,102	352	34,723	36,177
Accumulated depreciation and impairment	(128)	(236)	(19,095)	(19,459)
Net book amount	974	116	15,628	16,718
Year ended 30 September 2012				
Opening net book amount	974	116	15,628	16,718
Exchange differences	(32)	(3)	(369)	(404)
Additions	318	85	4,386	4,789
Disposals	-	-	(61)	(61)
Depreciation charge	(133)	(26)	(3,005)	(3,164)
Closing net book amount	1,127	172	16,579	17,878
At 30 September 2012				
Cost	1,382	425	38,128	39,935
Accumulated depreciation and impairment	(255)	(253)	(21,549)	(22,057)
Net book amount	1,127	172	16,579	17,878
Year ended 30 September 2013				
Opening net book amount	**1,127**	**172**	**16,579**	**17,878**
Exchange differences	**5**	**4**	**138**	**147**
Additions	**2,017**	**32**	**4,126**	**6,175**
Acquisitions (note 26)	**-**	**-**	**109**	**109**
Reclassifications	**28**	**-**	**(28)**	**-**
Disposals	**-**	**-**	**(26)**	**(26)**
Depreciation charge	**(142)**	**(127)**	**(3,627)**	**(3,896)**
Closing net book amount	**3,035**	**81**	**17,271**	**20,387**
At 30 September 2013				
Cost	**3,402**	**261**	**42,080**	**45,743**
Accumulated depreciation and impairment	**(367)**	**(180)**	**(24,809)**	**(25,356)**
Net book amount	**3,035**	**81**	**17,271**	**20,387**

13 INVENTORIES

	2013 £'000	2012 £'000
Raw materials	**6,020**	7,814
Work in progress	**2,481**	3,207
Finished goods	**4,873**	4,428
	13,374	15,449

Provisions for inventory write downs were £1,710,000 (2012: £1,582,000).
The cost of inventories recognised as an expense and included in cost of sales amounted to £51,782,000 (2012: £44,649,000).

14 TRADE AND OTHER RECEIVABLES

	2013 £'000	2012 £'000
Trade receivables	**17,009**	10,238
Less: provision for impairment of receivables	**(269)**	(381)
Trade receivables – net	**16,740**	9,857
Prepayments	**1,141**	1,242
Other receivables	**2,796**	3,517
	20,677	14,616

Other receivables include £956,000 (2012: £956,000) in respect of a rent deposit relating to the Company's premises in Melksham, Wiltshire, UK. The remaining balance comprises sundry receivables including accrued income.

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

	2013 £'000	2012 £'000
At 1 October	**381**	278
Provision for impairment of receivables	**5**	113
Receivables written off during the year as uncollectable	**(117)**	(10)
At 30 September	**269**	381

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

15 CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000
Cash at bank and in hand	**184**	176

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

	2013 £'000	2012 £'000
Trade payables	**4,139**	5,060
Other taxation and social security	**282**	241
Other payables	**3,289**	2,418
Accruals	**8,970**	8,029
	16,680	15,748

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

17 BORROWINGS

	2013 £'000	2012 £'000
Non-current		
Bank loans	**11,059**	8,901
Total borrowings	**11,059**	8,901
The maturity profile of the Group's borrowings at the year end was as follows:		
In one year or less, or on demand	-	-
Between one and two years	**11,059**	423
Between two and five years	**-**	8,478
	11,059	8,901

17 BORROWINGS (CONTINUED)

The Group has the following undrawn committed facilities:

	2013 £'000	2012 £'000
Expiring within one year	**-**	-
Expiring beyond one year	**12,518**	14,606
Total undrawn committed borrowing facilities	**12,518**	14,606
Bank loans and overdrafts utilised	**11,059**	8,901
Utilised in respect of guarantees	**341**	381
Total Group facilities	**23,918**	23,888

All facilities are at floating interest rates.

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 2015. The Comerica facility is a $15m revolving credit facility and expires on 30 March 2015. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 1.75% and include financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2013 and 2012.

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

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

	2013 Sterling %	2013 Dollar %	2012 Sterling %	2012 Dollar %
Bank loans	**2.2**	**2.8**	2.3	2.0

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Property obligations £'000
Balance at 1 October 2011	3,208
Unwinding of discount	329
Payments in the year	(544)
Balance at 30 September 2012	2,993
Unwinding of discount	**220**
Payments in the year	**(600)**
Balance at 30 September 2013	**2,613**

Analysis of total provisions	**2013 £'000**	2012 £'000
Non-current	**1,997**	2,377
Current	**616**	616
	2,613	2,993

Property obligations include an onerous lease provision of £1.8m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2014, and the remaining £1.2m over the following two years. Other property obligations relate to former premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next eight years. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

19 FINANCIAL INSTRUMENTS

Financial instruments by category

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

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

Financial risk and treasury policies

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

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

(i) Credit risk

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

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

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

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

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

Exposure to credit risk

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

Carrying amount	2013 £'000	2012 £'000
Trade receivables	**16,740**	9,857
Other receivables	**2,796**	3,517
Cash and cash equivalents	**184**	176
Forward exchange contracts used for hedging	**214**	121
	19,934	13,671

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

Carrying amount of financial assets	2013 £'000	2012 £'000
Sterling	**1,182**	2,429
US dollar	**14,519**	6,199
Euro	**585**	1,140
Other currencies	**638**	265
	16,924	10,033

19 FINANCIAL INSTRUMENTS (CONTINUED)

Provisions against trade receivables

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

	Gross 2013 £'000	**Provision 2013 £'000**	**Net 2013 £'000**	Gross 2012 £'000	Provision 2012 £'000	Net 2012 £'000
Not past due	**14,818**	**-**	**14,818**	8,707	(55)	8,652
Past due 0-30 days	**1,369**	**(19)**	**1,350**	898	(39)	859
Past due 31-60 days	**634**	**(130)**	**504**	202	(52)	150
Past due 61-90 days	**116**	**(62)**	**54**	152	(67)	85
Past due more than 91 days	**72**	**(58)**	**14**	279	(168)	111
	17,009	**(269)**	**16,740**	10,238	(381)	9,857

The total past due receivables, net of provisions is £1,922,000 (2012: £1,205,000).

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

(ii) Liquidity risk

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

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facility to meet foreseeable operational expenses and at the year end had facilities of £23.9m (2012: £23.9m).

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

Analysis of contractual cash flow maturities	**Carrying amount £'000**	**Contractual cash flows £'000**	**Less than 12 months £'000**	**1 - 2 Years £'000**	**2 - 5 Years £'000**	**More than 5 Years £'000**
30 September 2013						
Secured bank loans	**11,059**	**11,507**	**299**	**11,208**	**-**	**-**
Trade and other payables	**16,398**	**16,398**	**16,398**	**-**	**-**	**-**
Forward exchange contracts used for hedging						
- Outflow	**-**	**4,125**	**4,125**	**-**	**-**	**-**
- Inflow	**(214)**	**-**	**-**	**-**	**-**	**-**
	27,243	**32,030**	**20,822**	**11,208**	**-**	**-**

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 2012						
Secured bank loans	8,901	9,410	206	629	8,575	-
Trade and other payables	15,507	15,507	15,507	-	-	-
Forward exchange contracts used for hedging						
- Outflow	-	5,016	5,016	-	-	-
- Inflow	(121)	-	-	-	-	-
	24,287	29,933	20,729	629	8,575	-

(iii) Market risks

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

(a) Currency risk

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

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value through the consolidated statement of comprehensive income. Fair value is assessed by reference to year end spot exchange rates, adjusted for forward points associated with contracts of similar duration. The fair value of forward exchange contracts used as hedges at 30 September 2013 was a £214,000 asset (2012: £121,000) comprising an asset of £214,000 (2012: £121,000) and a liability of nil (2012: nil).

All forward exchange contracts in place at 30 September 2013 mature within one year.

19 FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of five cents in the value of the US dollar against sterling would have had a £368,000 (2012: £378,000) impact on the Group's current year profit before interest and tax and a £294,000 (2012: £274,000) impact on the Group's profit after tax. The method of estimation, which has been applied consistently, involves assessing the translation impact of US dollar and Euro cash flows.

The following significant exchange rates applied during year:

	Average rate 2013	**Closing rate 2013**	Average rate 2012	Closing rate 2012
US dollar	**1.559**	**1.612**	1.576	1.615
Euro	**1.188**	**1.191**	1.215	1.255

(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 £10.9m (2012: £8.7m) a 1% movement in interest rates would impact the interest costs by £109,000 (2012: £87,000).

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

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

19 FINANCIAL INSTRUMENTS (CONTINUED)

(iv) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio, calculated as net debt divided by capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is measured by the current market capitalisation of the Group, plus net debt. The increased market capitalisation has positively impacted the gearing ratio in 2013 as shown below.

The Group's net debt at the balance sheet date was:

	2013 £'000	2012 £'000
Total borrowings	**11,059**	8,901
Cash and cash equivalents	**(184)**	(176)
Group net debt	**10,875**	8,725
Market capitalisation of the Group at 30 September	**168,978**	95,857
Gearing ratio	**6.0%**	8.3%

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 2013 £'000	**Fair value 2013 £'000**	Carrying amount 2012 £'000	Fair value 2012 £'000
Trade receivables	**16,740**	**16,740**	9,857	9,857
Other receivables	**2,796**	**2,796**	3,517	3,517
Cash and cash equivalents	**184**	**184**	176	176
Forward exchange contracts	**214**	**214**	121	121
Secured loans	**(11,059)**	**(11,059)**	(8,901)	(8,901)
Trade and other payables	**(16,398)**	**(16,398)**	(15,507)	(15,507)
	(7,523)	**(7,523)**	(10,737)	(10,737)

Basis for determining fair value

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

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

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

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

20 SHARE CAPITAL

	2013 No. of shares	2013 Ordinary shares £'000	2013 Share premium £'000	2012 No. of shares	2012 Ordinary shares £'000	2012 Share premium £'000
Called up, allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	**30,723,292**	**30,723**	**34,708**	30,723,292	30,723	34,708
At the end of the year	**30,723,292**	**30,723**	**34,708**	30,723,292	30,723	34,708

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on pages 52-71.

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

At 30 September 2013 1,242,111 (2012: 1,400,642) 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 the shares held by the trust at 30 September 2013 was £6,832,000 (2012: £4,370,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During the year the trust acquired 522,000 (2012: 90,000) shares at a cost of £1,765,000 (2012: £279,000). 680,070 (2012: 1,225,347) shares were used to satisfy awards following the vesting of shares relating to the 2002 Performance Share Plan.

21 CASH GENERATED FROM OPERATIONS

	2013 £'000	2012 £'000
Profit for the financial year	**9,628**	7,829
Adjustments for:		
Taxation	**3,566**	3,176
Depreciation	**3,896**	3,164
Amortisation of intangible assets	**2,321**	1,573
Finance income	**(1)**	(7)
Finance costs	**348**	249
Other finance (income)/expense	**(118)**	374
Loss on disposal of intangibles	**62**	-
Loss on disposal of property, plant and equipment	**24**	57
Movement in respect of employee share scheme	**113**	131
Decrease/(increase) in inventories	**2,259**	(5,259)
(Increase)/decrease in receivables	**(6,295)**	3,352
(Decrease)/increase in payables and provisions	**(503)**	87
	15,300	14,726

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 2012 £'000	Cash flow £'000	Exchange movements £'000	**At 30 Sept 2013 £'000**
Cash at bank and in hand	176	8	-	**184**
Net cash and cash equivalents	176	8	-	**184**
Debt due in more than 1 year	(8,901)	(2,281)	123	**(11,059)**
	(8,725)	(2,273)	123	**(10,875)**

23 OTHER FINANCIAL COMMITMENTS

	2013 £'000	2012 £'000
Capital expenditure committed	**918**	608

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:

	2013 £'000	2012 £'000
Within one year	**2,052**	2,177
Between 1 and 5 years	**5,025**	6,462
Later than 5 years	**6,472**	7,243
	13,549	15,882

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

24 SHARE BASED PAYMENTS

The Group operates an equity-settled share-based performance share plan (PSP). Details of the Plan, awards granted and options outstanding are set out in the Remuneration Report on page 68 and are incorporated by reference into these financial statements. The charge against profit of £113,000 (2012: £131,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2013 PSP	2012 PSP
Weighted average fair value (£)	**0.21**	0.28
Key assumptions used:		
Weighted average share price (£)	**3.41**	3.00
Volatility (%)	**39**	39
Risk-free interest rate (%)	**1.75**	2.47
Expected option term (yrs)	**3.0**	3.0
Divided yield (%)	**1.0**	1.0

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

25 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year (2012: £nil). Key management compensation is disclosed in note 9.

26 ACQUISITION

On 26 April 2013 Avon Polymer Products Limited acquired 100% of the share capital of VR Technology Holdings Limited (VR), a market leader in diving rebreather systems and dive computers, for consideration of £833,000. VR's products and key technologies will complement and enhance the Group's current and planned product ranges and increase respiratory protection opportunities for the Group, particularly with navies around the world.

The results of the acquired entity have been consolidated in the Group's consolidated statement of comprehensive income from 26 April 2013 and contributed £278,000 of revenue and a loss of £126,000 to the profit attributable to equity shareholders of the Group during the year.

The impact of the acquisition on the consolidated balance sheet was as follows:

	Book value £'000	Accounting policy alignment £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	-	301	622	923
Property, plant and equipment	109	-	-	109
Inventories	36	-	-	36
Trade and other receivables	137	-	-	137
Cash and cash equivalents	64	-	-	64
Trade and other payables	(499)	-	-	(499)
Net assets acquired	(153)	301	622	770
Goodwill				63
Total consideration				833
Satisfied by:				
Cash				483
Deferred/contingent consideration				350
				833

The goodwill is attributable to the workforce of the acquired business and synergies expected to arise in the period following the acquisition. The Directors have reviewed the goodwill for impairment and concluded that the carrying value is recoverable. Full details of the review are not disclosed given the immateriality of the goodwill balance.

The contingent consideration becomes payable over the next three years, providing certain performance conditions are met, based on both qualitative and quantitative factors. The range of outcomes is expected to be between nil and £200,000.

Had VR been consolidated from 1 October 2012, the consolidated statement of comprehensive income would show revenue of £124,863,000 and profit for the year of £9,637,000.

27 GROUP UNDERTAKINGS

	Country in which incorporated
Held by Parent Company	
Avon Polymer Products Limited	UK
Avon Rubber Overseas Limited	UK
Avon Rubber Pension Trust Limited	UK
Avon Dairy Solutions (Shanghai) International Trading Company Ltd	China
Held by Group undertakings	
Avon Engineered Fabrications, Inc.	US
Avon Hi-Life, Inc.	US
Avon Protection Systems, Inc.	US
Avon Rubber & Plastics, Inc.	US
Avon-Ames Limited	UK
VR Technology Holdings Limited	UK
Avon International Safety Instruments, Inc.	US

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

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

Avon Rubber Pension Trust Limited is a pension fund trustee.

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

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

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

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

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

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 30 September 2013 and of the Group's profit and cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say below.

What we have audited

The Group financial statements, which are prepared by Avon Rubber p.l.c. comprise:

- The Consolidated balance sheet as at 30 September 2013;
- The Consolidated statement of comprehensive income for the year then ended;
- The Consolidated cash flow statement for the year then ended;
- The Consolidated statement of changes in equity for the year then ended; and
- The Accounting policies and critical accounting judgements and the notes to the Group's financial statements, which includes other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

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

What an audit of financial statements involves

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

- Whether the accounting policies are appropriate to the 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.

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

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgment, we determined materiality for the Group financial statements as a whole to be £650,000.

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

Overview of the scope of our audit

The Group structure comprises two divisions, being Protection & Defence and Dairy. The Group financial statements are a consolidation of nine reporting units, comprising the Group's operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting units.

Accordingly, of the Group's nine reporting units, we identified four which, in our view, required an audit of their complete financial information due to their size and risk characteristics. Specific audit procedures on certain balances and transactions were performed at the remaining reporting units. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 50.

Area of focus	How the scope of our audit addressed the area of focus
Provisions for uncertain tax positions	
As noted in the critical accounting judgements section on page 80, provisions are made for any tax positions which are uncertain in each relevant tax jurisdiction. We focused on this area because there are material uncertain tax positions and the directors have had to estimate the likelihood of the future outcome in each case.	We requested and obtained correspondence with the relevant tax authorities in each tax jurisdiction along with the filing positions which we independently reassessed and reconciled to the balances in the financial statements. We challenged management's assumptions over the likelihood of settlement and amount of provisions required against uncertain tax positions.
Pension liabilities	
We focussed on this area because of the magnitude of the defined benefit pension liability in the overall context of the Group Balance Sheet. Measurement of the liabilities requires judgement by management in choosing appropriate actuarial assumptions. Changes in key assumptions can cause a material change in the value of the pension deficit.	We have considered and challenged the reasonableness of the key actuarial assumptions (including the discount rate and inflation rate) by comparing these to benchmark ranges based on market conditions and available actuarial data. We assessed whether the methods used to determine key assumptions were consistently applied and evaluated the rationale for any changes in approach. We also obtained supporting evidence for each of the key inputs into the overall pension deficit calculation (such as census data and asset values).
Revenue recognition	
ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition on every audit engagement. We focused on judgements in the recognition of revenue for certain contractual arrangements.	We challenged the key assumptions and judgements made by management in the calculation of certain contractual revenues, including whether the Group was entitled to, and appropriately recognised, revenue in line with their contractual obligations and revenue recognition policy. We also tested material manual journal entries posted to revenue.
Risk of management override of internal controls	
ISAs (UK & Ireland) require that we consider this.	We tested material manual journal entries made by local and Group management to determine that the adjustments made were appropriate. We considered whether there was evidence of bias by the directors in the significant accounting estimates and judgments relevant to the financial statements. We also assessed the overall control environment of the Group and interviewed senior management.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 48, in relation to going concern. We have nothing to report having performed our review.

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

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

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and 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 47 to 48 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 43 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 50, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- The statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- The section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- Materially inconsistent with the information in the audited Group financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 42, 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 and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other matter

We have reported separately on the Parent Company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2013 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
Bristol
20 November 2013

Report on the Parent Company financial statements

Our opinion

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Parent Company's affairs as at 30 September 2013;
- 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.

This opinion is to be read in the context of what we say below.

What we have audited

The Parent Company financial statements, which are prepared by Avon Rubber p.l.c, comprise:

- The Parent Company Balance Sheet as at 30 September 2013;
- A summary of significant accounting policies and notes to the Parent Company financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

What an audit of financial statements involves

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

- Whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the Directors; and
- The overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2013 to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- Materially inconsistent with the information in the audited Parent Company financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- Is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 42, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

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

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

Other matter

We have reported separately on the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2013.

Mark Ellis

Mark Ellis
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
20 November 2013

Parent Company Balance Sheet

at 30 September 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed Assets					
Tangible assets	4		**788**		505
Investments	5		**75,540**		78,407
			76,328		78,912
Current assets - debtors	7	**53,304**		52,715	
Creditors - amounts falling due within one year	8	**5,412**		2,195	
Net current assets			**47,892**		50,520
Total assets less current liabilities			**124,220**		129,432
Creditors - amounts falling due after more than one year					
Borrowings	9	**3,208**		8,478	
Provisions for liabilities	10	**2,613**		2,993	
			5,821		11,471
Net assets			**118,399**		117,961
Capital and reserves					
Share capital	11		**30,723**		30,723
Share premium account	12		**34,708**		34,708
Capital redemption reserve	12		**500**		500
Profit and loss account	12		**52,468**		52,030
Total shareholders' funds	13		**118,399**		117,961

These financial statements on pages 117 to 126 were approved by the Board of Directors on 20 November 2013 and were signed on its behalf by:

Peter Slabbert

Andrew Lewis

Accounting policies

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

Basis of preparation

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

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

Foreign currencies

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

Deferred taxation

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

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

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

Impairment of fixed assets

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

Investments in subsidiary undertakings

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

Leased assets

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

Pensions

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

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

Provisions for liabilities

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

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

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

Tangible fixed assets

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

Related parties

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

Share based payment

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

Debtors

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

Trade creditors

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

Borrowings

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

Financial instruments

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

Dividends

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

Share Capital

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

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

1 PARENT COMPANY

As a consolidated statement of comprehensive income is published, a separate profit and loss account for the parent Company is omitted from the accounts by virtue of section 408 of the Companies Act 2006. The parent company's profit for the financial year was £3,222,000 (2012: £21,613,000).

The audit fee in respect of the parent company was £30,000 (2012: £30,000).

2 DIVIDENDS

On 2 February 2013, the shareholders approved a final dividend of 2.4p per qualifying ordinary share in respect of the year ended 30 September 2012. This was paid on 15 March 2013 absorbing £708,000 of shareholders' funds.

On 22 April 2013, the Board of Directors declared an interim dividend of 1.44p (2012: 1.2p) per qualifying ordinary share in respect of the year ended 30 September 2013. This was paid on 6 September 2013 absorbing £424,000 (2012: £353,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.88p per qualifying ordinary share in respect of the year ended 30 September 2013, which will absorb an estimated £862,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 21 March 2014 to shareholders on the register at the close of business on 21 February 2014. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

3 EMPLOYEES

The total remuneration and associated costs during the year were:

	2013 **£'000**	2012 £'000
Wages and salaries	**1,535**	1,278
Social security costs	**299**	304
Other pension costs	**205**	299
Share based payments	**113**	131
	2,152	2,012

Detailed disclosures of Directors' remuneration and share options are given on pages 52 to 71 of the Annual Report and Accounts.

The average monthly number of employees (including Executive Directors) during the year was 7 (2012: 8), all of whom were classified as administrative staff.

4 TANGIBLE ASSETS

	Plant and machinery £'000
Cost	
At 1 October 2012	**905**
Additions at cost	**325**
Disposals	**(159)**
At 30 September 2013	**1,071**
Accumulated depreciation	
At 1 October 2012	**400**
Charge for the year	**42**
Disposals	**(159)**
At 30 September 2013	**283**
Net book amount at 30 September 2013	**788**
Net book amount at 30 September 2012	505

5 INVESTMENTS

	Investment in subsidiaries £'000
Cost and net book value	
At 1 October 2012	**78,407**
Additions	**420**
Redemption of preference shares	**(3,287)**
At 30 September 2013	**75,540**

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

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

Details of investments held by these subsidiaries are given in note 27 to the Group accounts on page 110.

The additions relate to additional capital contributions to Avon Polymer Products Limited and Avon Dairy Solutions (Shanghai) International Trading Company Ltd.

6 OTHER FINANCIAL COMMITMENTS

	2013 £'000	2012 £'000
Capital expenditure committed	**4**	72

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:

	2013 Land and buildings £'000	2012 Land and buildings £'000
For leases expiring		
Within 1 year	**-**	-
In 2-5 years	**814**	814
Over 5 years	**153**	153
	967	967

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

7 DEBTORS

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	**51,627**	51,054
Other debtors	**1,001**	976
Prepayments	**676**	685
	53,304	52,715

Other debtors include £956,000 (2012: £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

	2013 £'000	2012 £'000
Bank overdrafts	**-**	303
Amounts due to Group undertakings	**3,051**	-
Other creditors	**486**	570
Accruals	**1,875**	1,322
	5,412	2,195

9 BORROWINGS

	2013 £'000	2012 £'000
Current		
Bank overdrafts	-	303
Non-current		
Bank loans	**3,208**	8,478
Total borrowings	**3,208**	8,781

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

	2013 £'000	2012 £'000
In 1 year or less or on demand	-	303
Between 1 and 2 years	**3,208**	-
Between 2 and 5 years	-	8,478
	3,208	8,781

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

	2013 £'000	2012 £'000
Sterling	**1,347**	3,053
US dollars	**1,861**	5,728
	3,208	8,781

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 2015. The facility is priced on average at the appropriate currency LIBOR plus a margin of 1.75% and includes financial covenants which are measured on a quarterly basis. The Company was in compliance with its financial covenants during 2013 and 2012.

The facility is secured by charges over all group assets and certain shares in group companies.

10 PROVISIONS FOR LIABILITIES

	Property obligations £'000
Balance at 1 October 2011	3,208
Unwinding of discount	329
Payments in the year	(544)
Balance at 30 September 2012	2,993
Unwinding of discount	**220**
Payments in the year	**(600)**
Balance at 30 September 2013	**2,613**

Analysis of provisions	**2013 £'000**	2012 £'000
Non-current	**1,997**	2,377
Current	**616**	616
	2,613	2,993

Property obligations include an onerous lease provision of £1.8m 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 2014, and the remaining £1.2m over the following three years. Other property obligations relate to former premises of the Company which are subject to dilapidation risks and are expected to be utilised within the next eight years. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

11 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Called up, allotted and fully paid ordinary shares of £1 each		
30,723,292 (2012: 30,723,292) ordinary shares of £1 each	**30,723**	30,723

12 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2011	34,708	500	31,506	66,714
Retained profit for the year	-	-	20,672	20,672
Movement in respect of employee share schemes	-	-	(148)	(148)
At 30 September 2012	34,708	500	52,030	87,238
Retained profit for the year	**-**	**-**	**2,090**	**2,090**
Movement in respect of employee share schemes	**-**	**-**	**(1,652)**	**(1,652)**
At 30 September 2013	**34,708**	**500**	**52,468**	**87,676**

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
At the beginning of the year	**117,961**	97,437
Profit for the financial year attributable to equity shareholders	**3,222**	21,613
Dividends paid	**(1,132)**	(941)
Purchase of shares by the employee benefit trust	**(1,765)**	(279)
Movement in respect of employee share scheme	**113**	131
At 30 September	**118,399**	117,961

At 30 September 2013 1,242,111 (2012: 1,400,642) 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 the shares held in the trust at 30 September 2013 was £6,832,000 (2012: £4,370,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During the year the trust acquired 522,000 (2012: 90,000) shares at a cost of £1,765,000 (2012: £279,000). 680,070 (2012: 1,225,347) shares were used to satisfy awards following the vesting of shares relating to the 2002 Performance Share Plan.

14 SHARE BASED PAYMENTS

The Company operates an equity-settled share-based performance share plan (PSP). Details of the Plan, awards granted and options outstanding are set out in the remuneration report on page 68 and are incorporated by reference into these financial statements. The charge against profit of £113,000 (2012: £131,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2013 PSP	2012 PSP
Weighted average fair value (£)	**0.21**	0.28
Key assumptions used:		
Weighted average share price (£)	**3.41**	3.00
Volatility (%) (estimated based on historic experience)	**39**	39
Range of risk-free interest rate (%)	**1.75**	2.47
Range of expected option term (yrs)	**3.0**	3.0
Dividend yield (%)	**1.0**	1.0

Five Year Record

for the year ended 30 September 2013

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Revenue	**124,851**	106,636	107,600	117,574	100,900
Operating profit before amortisation of acquired intangibles and exceptional items	**14,223**	11,621	11,136	9,255	5,509
Amortisation of acquired intangibles and exceptional items	**(800)**	-	-	-	(2,535)
Operating profit	**13,423**	11,621	11,136	9,255	2,974
Net finance costs and other finance expense	**(229)**	(616)	(924)	(2,121)	(1,112)
Profit before taxation	**13,194**	11,005	10,212	7,134	1,862
Taxation	**(3,566)**	(3,176)	(3,094)	(2,808)	(2,004)
Profit/(loss) for the year	**9,628**	7,829	7,118	4,326	(142)
Profit attributable to non-controlling interest	**-**	-	-	-	41
Profit/(loss) attributable to equity shareholders	**9,628**	7,829	7,118	4,326	(183)
Ordinary dividends	**(1,132)**	(941)	(706)	-	-
Retained profit/(loss)	**8,496**	6,888	6,412	4,326	(183)
Intangible assets and property, plant and equipment	**36,928**	31,159	27,187	25,762	25,199
Net assets classified as held for sale	**-**	-	-	-	3,082
Working capital	**11,512**	9,278	11,714	9,628	5,273
Provisions	**(2,613)**	(2,993)	(3,208)	(4,373)	(6,649)
Pension (liability)/asset	**(11,279)**	(2,238)	280	(7,134)	(9,152)
Deferred tax liability	**(2,977)**	(2,584)	(2,985)	(2,517)	(1,833)
Net borrowings	**(10,875)**	(8,725)	(11,816)	(12,589)	(13,656)
Net assets employed	**20,696**	23,897	21,172	8,777	2,264
Financed by:					
Ordinary share capital	**30,723**	30,723	30,723	30,723	29,141
Reserves attributable to equity shareholders	**(10,027)**	(6,826)	(9,551)	(21,946)	(26,916)
Non-controlling interest in equity	**-**	-	-	-	39
Total equity	**20,696**	23,897	21,172	8,777	2,264
Basic earnings/(loss) per share	**32.7p**	26.9p	25.2p	15.2p	(0.6)p
Adjusted basic earnings per share	**35.4p**	26.9p	25.2p	15.2p	8.3p
Dividends per share paid in cash	**3.84p**	3.2p	2.5p	-	-

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

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

Notice of Annual General Meeting for the year ended 30 September 2013

Notice is hereby given that the annual general meeting ('AGM') of shareholders of Avon Rubber p.l.c. (the 'Company') will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 6 February 2014 at 10.30 a.m. for the following purposes:-

Ordinary Business

To consider and, if thought fit, pass resolutions 1- 8 as Ordinary Resolutions:

Resolution 1

To receive the Company's accounts and reports of the Directors and the Auditors for the year ended 30 September 2013.

Resolution 2

To approve the Directors' Remuneration Report for the year ended 30 September 2013.

Resolution 3

To approve the Remuneration Policy set out in the Directors' Remuneration Report for the year ended 30 September 2013.

Resolution 4

To declare a final dividend of 2.88p per ordinary share as recommended by the Directors.

Resolution 5

To re-appoint Peter Slabbert as Director who retires by rotation.

Resolution 6

To re-appoint Stella Pirie as Director who retires by rotation.

Resolution 7

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

Resolution 8

To authorise the Directors to determine the auditors' remuneration.

Special Business

To consider and if thought fit, pass resolution 9 as an Ordinary Resolution and resolutions 10, 11 and 12 as Special Resolutions:

Resolution 9

That in accordance with section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,241,097 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 the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

Resolution 10

That, subject to the passing of Resolution 9, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 9 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

(a) be limited to the allotment of equity securities up to an aggregate nominal amount of £1,536,164; and
(b) expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 11

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

(a) the maximum number of shares which may be purchased is 4,608,492;
(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 Official List of the London Stock Exchange for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and
(d) this authority shall expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

Resolution 12

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

By order of the Board

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
20 November 2013

Notes

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

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

(3) A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the 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 Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
(ii) via www.capitashareportal.com; or
(iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the 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. Regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy the message must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

(5) In order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 pm on 4 February 2014 (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 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) Appointment of proxy by joint members
In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

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

In either case, the revocation notice must be received by the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 4 February 2014 at 10.30 am.

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

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

(11) Biographical details of the Directors are shown on page 39 of the Annual Report.

(12) The issued share capital of the Company as at 20 November 2013 was 30,723,292 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

(13) The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the 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.

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

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

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

(16) Pursuant to section 338 of the Act, a members or members meeting the qualification criteria set out below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting.

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

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

The request:
(i) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; and
(ii) must be received by the Company not later than 6 weeks before the date of the meeting.

Explanatory notes

Resolution 1 – Report and Accounts
The Directors are required by law to present to the AGM the accounts, and the reports of the Directors and Auditors, for the year ended 30 September 2013. These are contained in the Company's 2013 Annual Report.

Resolutions 2 & 3 – Directors' Remuneration Report and Remuneration Policy
These resolutions seek shareholder approval for the Directors' Remuneration Report and the forward looking Remuneration Policy. New regulations which came into force in the UK on 1 October 2013 require the Company to offer an advisory vote on the implementation of the Company's existing remuneration report and a separate binding vote on the Company's forward looking remuneration policy.
Resolution 2 seeks approval for the Directors' Remuneration Report for the year ended 30 September 2013. This is contained on pages 52 to 71 of the Annual Report.
Resolution 3 requests approval of the Company's forward looking Remuneration Policy, contained on pages 54 to 64 of the Annual Report.

Resolution 4 – Declaration of a dividend
A final dividend can only be paid after the shareholders have approved it at a general meeting. If the meeting approves this Resolution, a final dividend in respect of the financial year ended 30 September 2013 of 2.88p will be paid.

Resolutions 5&6 – Election and re-election of Directors
Peter Slabbert retires by rotation and, being eligible, offers himself for re-election.
Stella Pirie retires by rotation and, being eligible, offers herself for re-election.
Biography details of the Directors can be found on page 39 of the Annual Report.

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

Resolution 9 – Directors' authority to allot
This Resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Companies Act 2006. The authority granted at the last annual general meeting is due to expire at the conclusion of this year's AGM and accordingly it is proposed to renew this authority. This Resolution complies with guidance issued by the Association of British Insurers and will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,241,097, which is equal to approximately one-third of the issued share capital of the Company as at 20 November 2013.
The Directors have no preset intention of exercising this authority except in connection with the Company's employee share schemes.

The authority granted by this resolution will expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the Company.

In this resolution, Relevant Securities means:
(i) shares in the Company other than shares allotted pursuant to:
-an employee share scheme (as defined by section 1166 of the Act);
-a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
- a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and
(ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Resolution 10 – Disapplication of pre-emption rights
This Resolution will, if passed give the Directors power, pursuant to the authority to allot granted by Resolution 9, to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,536,164 which represents approximately 5% of the Company's issued share capital as at 20 November 2013 and renews the authority given at the annual general meeting in 2013.

In compliance with the guidelines issued by the Pre-Emption Group, the Directors will ensure that, other than in relation to a rights issue to which rights of pre-emption apply, no more than 7.5% of the issued ordinary shares will be allotted for cash on a non pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance. No shares have been issued under this authority during the last 3 years.

This Resolution complies with relevant guidance issued by the Pre-Emption Group and guidance issued by the Association of British Insurers (ABI).

The power granted by this Resolution will expire on the date 15 months after the date of this Resolution or, if earlier, the date of the next annual general meeting of the company.

Resolution 11 – Authority to purchase own shares
This resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 4,608,492 ordinary shares of £1 each, representing just under 15 per cent of the Company's issued ordinary share capital as at 20 November 2013.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the date 15 months after the date of this Resolution and the Company's next annual general meeting.

As of 20 November 2013 there were options to subscribe outstanding over 1,147,363 ordinary shares, representing 3.73% of the Company's ordinary issued share capital. If the authority given by Resolution 11 were to be fully exercised, these options would represent 4.39%. The Company's ordinary issued share capital after cancellation of the re-purchased shares. As of 20 November 2013 there were no warrants outstanding over ordinary shares.

The Directors intend to exercise the power given by Resolution 11 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 No. 11 is in the best interests of the shareholders as a whole and the Directors intend to seek renewal of these powers at subsequent annual general meetings.

Resolution 12 – Notice of Meeting
Resolution 12 is a resolution to allow the Company to hold general meetings (other than annual general meetings) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations in August 2009, the Company was able to call general meetings (other than annual general meetings) on 14 clear days' notice. One of the amendments that the Companies (Shareholders' Rights) Regulations 2009 made to the Act was to increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for annual general meetings) provided that: (i) the Company offers facilities for shareholders to vote by electronic means; and (ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days.

Resolution 12 is therefore proposed as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed. The Company will use this notice period when permitted to do so in accordance with the Act and when the Directors consider it appropriate to do so.

Notes

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Shareholder Information

Shareholder

On 11 November 2013 the Company had 1,707 shareholders, of which 992 (58%) 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 2013 the annual general meeting will be held on 6 February 2014 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
VAT No. GB 137 575 643

Board of Directors

David Evans (Chairman)
Peter Slabbert (Chief Executive)
Andrew Lewis (Group Finance Director)
Stella Pirie OBE (Non-Executive Director)
Richard Wood (Non-Executive Director)

Company secretary

Miles Ingrey-Counter

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Registrars & transfer office

Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

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 LLP

Principal bankers

Barclays Bank PLC
Comerica Inc.

Corporate financial advisor

Arden Partners plc

Corporate website

www.avon-rubber.com

Corporate Headquarters

Hampton Park West • Semington Road

Melksham • Wiltshire • SN12 6NB • England

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