ANNUAL REPORT 2011

FOCUSED ON OPPORTUNITIES

Avon Rubber p.l.c.

AN INTRODUCTION TO AVON

Avon is focused on two specialist areas - Protection & Defence and Dairy

We are a world leader in the design, test and manufacture of advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection solutions to the world's military, homeland security, first responder, emergency services, fire and industrial markets. Avon has a unique capability in CBRN protection based on a range of advanced CBRN technologies in respirator design, filtration and self contained breathing apparatus. This enables Avon to develop specialised solutions that take full account of user requirements.

This business consists of a growing range of respiratory protection products which are sold direct to military markets where our primary customers are the US Department of Defense (DoD) and a number of approved friendly governments globally.

Other significant markets are categorised under the Homeland Security banner which includes the Police and other emergency services where products are sold either directly to customers or through distribution channels.

Our fire and industrial products are also sold primarily through our distribution network in the US and products include Self Contained Breathing Apparatus, escape sets and thermal imaging equipment.

All these products are safety critical and the markets are consequently highly regulated with approval standards creating significant entry barriers. The product life cycles are long and standardisation to a particular product by users is the norm.

In addition, Avon is a world leading manufacturer of liners and tubing for the automated milking process. Avon's dairy business has a 60% market share in the two largest global dairy markets, North America and Western Europe, and is well placed to convert the opportunities that automation of the milking process will bring in the developing world.

AVON FOCUS

"We have established a track record of delivering growing profits while continuing to invest in new products and technologies, our brands and our sales and marketing teams, giving us a good platform from which to continue to progress."

Peter Slabbert, Chief Executive

Avon is firmly focused on opportunities for growth in both our Protection & Defence and Dairy businesses.

Our global leading positions in both businesses have driven profit growth and continued investment means that we have exciting new products to bring to new and existing markets.

Our Protection & Defence business has developed through our prime contractor status with the US DoD and the resultant sales into other military and homeland security markets. Our products are already best in class and we continue to use our world leading capabilities to develop specialised solutions for a range of users. We are unique in providing a complete, modular respiratory protection platform for the military, fire and first responder communities allowing common procurement and service interoperability.

The profitability of our Dairy business has improved significantly year on year, reflecting better market conditions and the full year impact of our European production outsourcing project. We are well placed to take advantage of opportunities in developing markets with expansion into China planned for 2012 and we expect to see further growth from innovative new products under our market-leading Milk-Rite brand.

Avon is well positioned to focus on developing the many opportunities we have created, supported by our stable operating base.

Peter Slabbert
Chief Executive
23 November 2011

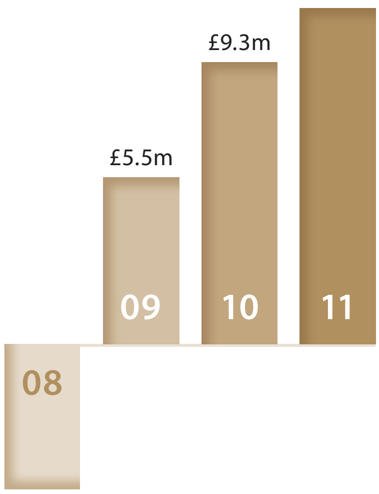
FINANCIAL PERFORMANCE

GROUP

REVENUE
£107.6m ↓ £10.0m

OPERATING PROFIT
£11.1m ↑ £1.9m

OPERATING PROFIT* (£m)

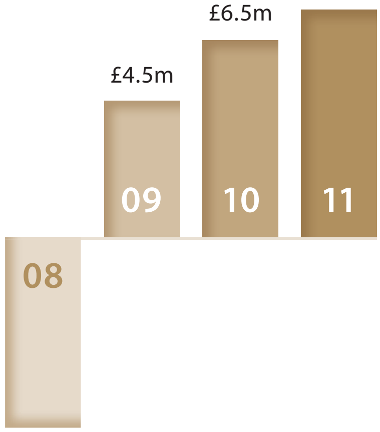


PROTECTION & DEFENCE

REVENUE
£77.4m ↓ £12.7m

OPERATING PROFIT
£7.5m ↑ £1.0m

OPERATING PROFIT* (£m)

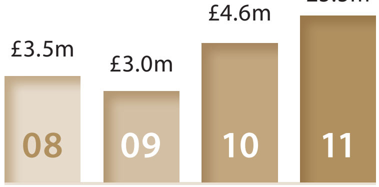


DAIRY

REVENUE
£30.2m ↑ £2.7m

OPERATING PROFIT
£5.5m ↑ £0.9m

OPERATING PROFIT* (£m)



* = Before exceptional items in 2008 and 2009

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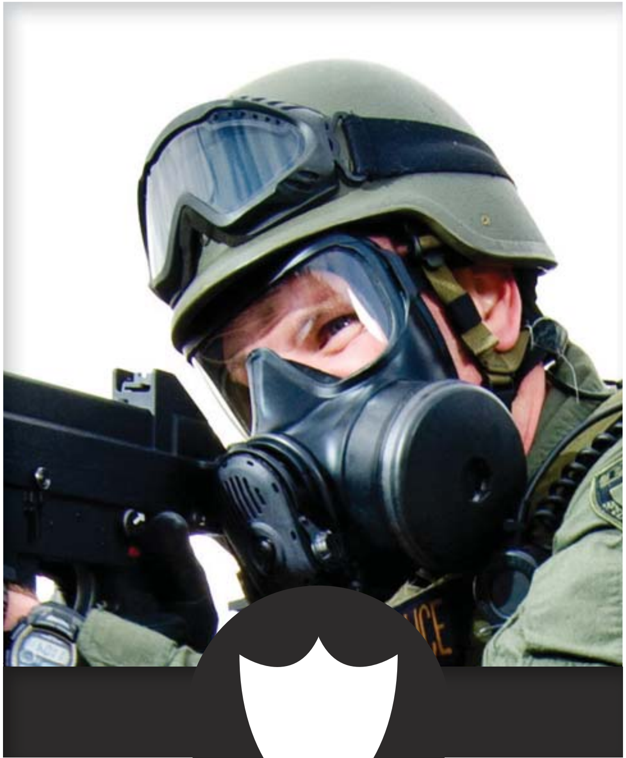
FOCUS ON PROTECTION OPPORTUNITIES



MILITARY

AIR PURIFYING RESPIRATORS (APRs) & FILTERS

With more than 2 million masks fielded to Special Operations, US Army, US Navy Explosive Ordinance Disposal (EOD), US Air Force Fire & Rescue, the UK's Ministry of Defence and other allied military forces, Avon Protection Systems has been Protecting the Protectors since 1927.

HOMELAND SECURITY

APRs, FILTERS & ACCESSORIES

The FM53 is Avon Protection's most technically advanced mask and has been specifically developed for specialist operators requiring both positive pressure Self Contained Breathing Apparatus (SCBA), Closed Circuit Breathing Apparatus (CCBA), Air Purifying Respirator / Powered Air Purifying Respirator (APR/PAPR) and negative pressure capability. The FM53 mask features a patented twin exhalation valve, clear cheek for weapon sighting, unique panoramic flexible visor, interchangeable nose cups, electronic communications port (ECP) for integrated Voice Projection Unit and radio communication, high flow fail safe drink device, fully integrated CBRN Protective Hood and close coupling filter design.

FIREFIGHTING

SELF CONTAINED BREATHING APPARATUS (SCBA)

Avon Protection's Viking Z Seven SCBA is designed specifically for fire service use, with flame resistant straps, PASS alarm (Personal Alert Safety System) and all other NFPA (National Fire Protection Association) required features including a heads-up display and complete CBRN protection. The Viking Z Seven also includes integrated communications, with voice amplification as standard and the patented Air Switch technology incorporated into the facemask.

INDUSTRIAL

APRs, SCBA & ESCAPE PRODUCTS

The NH15 escape hood is designed specifically for use in an emergency incident. The world's smallest National Institute for Occupational Safety and Health (NIOSH) approved CBRN escape device is rated for 15 minutes and is available in regular and extra small sizes. The NH15 does not require maintenance or fit testing and has a five-year shelf life. It is supplied in a black carrier that can be belt or shoulder mounted.

LEADING THE WAY IN MILKING TECHNOLOGY

Avon Rubber p.l.c.'s Milk-Rite brand is the world's leading milk liner. With Avon having supplied the dairy industry for over 85 years, Milk-Rite is building on Avon's heritage and vast material expertise, offering innovative and competitively priced cluster units and liners, sold through independent distribution outlets throughout the world.

Milk-Rite innovation is supported by world class research partners, to create industry leading technology and milking performance to deliver optimum milk quality and animal health benefits.

We continue to see the successful growth of our Impulse Mouthpiece Vented ('IP-MV') range of liners and have achieved an 8% market share of the North American liner market after our first full year of sales.

In support of our leading technology and manufacturing excellence, we continue to invest in the sale, marketing and distribution of this brand to create world class customer services and brand awareness.

GLOBALLY FOCUSED

- AVON PROTECTION DISTRIBUTORS & REPRESENTATIVES
- AVON PROTECTION - ISI DISTRIBUTORS & REPRESENTATIVES
- AVON DAIRY SOLUTIONS & MILK-RITE DISTRIBUTORS & REPRESENTATIVES

1 **Avon Rubber p.l.c.**
Corporate Headquarters
Melksham, UK

1 **Avon Protection**
Melksham, UK

1 **Avon Dairy Solutions**
Melksham, UK

1 **ARTIS**
Melksham, UK

2 **Avon Protection**
Cadillac, MI

3 **Avon Protection**
Baltimore, MD

4 **Avon Protection - ISI**
Atlanta, GA

5 **AEF**
Picayune, MS

6 **Avon Protection**
Kuala Lumpur

7 **Avon Protection**
Brussels

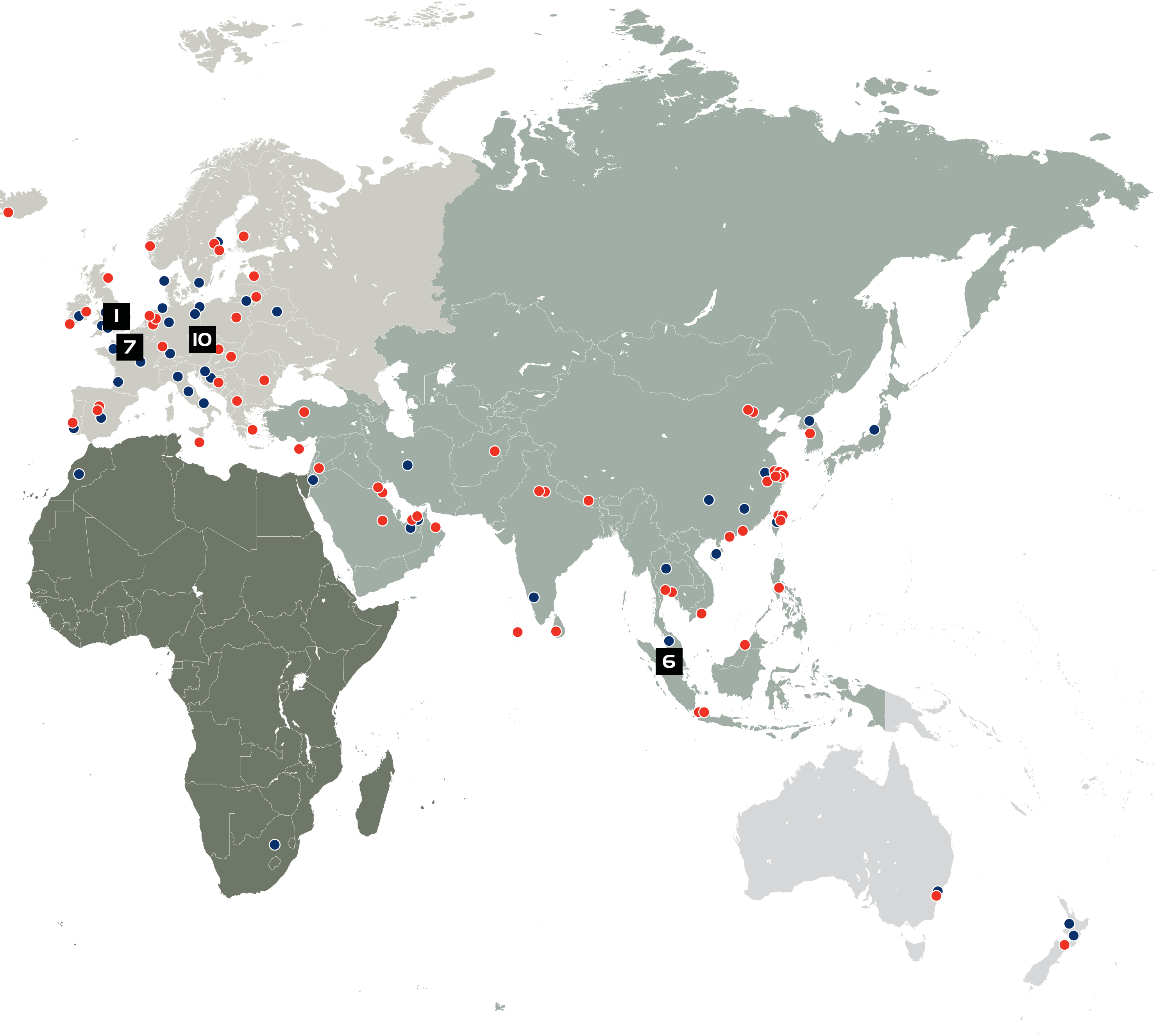
8 **Avon Dairy Solutions**
Johnson Creek, WI

9 **Milk-Rite**
Modesto, CA

10 **Milk-Rite**
Rudnik, CZ

AGENTS AND DISTRIBUTORS

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



CHAIRMAN'S STATEMENT

"We are focused on creating a culture of innovation to take advantage of opportunities in new markets and new products to deliver further growth."

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

Avon has made further progress in 2011, recording significant increases in operating margins, profits and earnings. Operating margins have increased by 2.4% to 10.3% with an operating profit of £11.1m (2010: £9.3m). Our strategy of developing both our rapidly growing Protection & Defence business and our high margin and cash generative Dairy business has proved successful. Protection & Defence continues to win new customers at an increasing rate and, with the cash we are generating and the debt capacity we now have, we have been able to increase our investment in both sales and marketing activities and new product development programs, laying the foundation for further growth. A new program of product range expansion and enhancement (Project Fusion) has been initiated and this investment is expected to provide future organic growth from 2013. The profitability of our Dairy business has improved significantly year on year reflecting the full year impact of the change in cost base through the outsourcing of European production and the increase in market share from expansion into new territories and through new products.

GROUP RESULTS

Revenue decreased by 8% to £107.6m (2010: £117.6m). Protection & Defence was down 14% to £77.4m (2010: £90.2m) due to lower revenue at Avon Engineered Fabrications (down £15m) as a result of lower Department of Defense orders for fuel and water storage tanks and Dairy was up 10% to £30.2m (2010: £27.4m). Foreign exchange translation has provided a slight headwind to the Group's results in 2011 with the US $/£ average rate being $1.60 (2010: $1.55) which negatively impacted operating profit by £0.3m.

Operating profit before depreciation and amortisation (EBITDA) rose 16% to £15.7m (2010: £13.6m). Operating profit rose 20% to £11.1m (2010: £9.3m).

Interest costs fell by 51% to £0.5m (2010: £1.0m) reflecting the improved cost of funding negotiated as part of our new longer term financing agreement.

The Group adjusted effective tax rate fell from 34% to 29% to give a profit for the year of £7.1m (2010: £4.3m) which equates to earnings of 25.2p per share (2010: 15.2p).

Net debt reduced to £11.8m (2010: £12.6m) and with long term funding now in place the Group has the debt capacity to support further growth.

OPERATING REVIEW

The Protection & Defence business has seen revenue fall 14% from £90.2m to £77.4m due to lower revenue at Avon Engineered Fabrications (AEF) (down £15m) resulting from lower Department of Defense (DoD) orders. Operating profit grew by 15% to £7.5m (2010: £6.5m) with better factory efficiencies and increased higher margin sales.

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 US DoD provides a degree of certainty in our biggest market whilst 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.

Budget funding for our ten year sole source respirator program with the US DoD has been largely unaffected 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 US DoD budgets, we expect spend on personal protective equipment for the warfighter to remain stable in 2012 although the timing of orders from customers may again be unpredictable as the US budget works its way through Continuing Resolution. In August the Group was awarded a three year Indefinite Delivery Indefinite Quantity (IDIQ) contract from the DoD with a maximum contract value of approximately $38m for the continued supply of M61 filters of which we delivered $11m in the financial year. In September we were awarded a further order for mask systems worth $19m which means that we have orders for 190,000 M50 masks for delivery in 2012.

As expected the UK Ministry of Defence (MoD) contract for Avon's S10 mask came to an end in September 2011 but growth in global demand for our new 50 series products is expected to offset this. Growth outside of our core DoD customer base has been strong with increased orders and sales of the homeland security and foreign military variants of the M50 mask. Significant order wins from customers in Saudi Arabia, Kuwait, France and our first foreign military sale through the DoD led to an improved sales mix and we expect the proportion of revenues from these sources to continue to grow over the medium term.

The success of Avon's unique ST53 product, which combines our special forces military mask with a set of self-contained breathing apparatus has been apparent in both the US Homeland Security and the foreign military markets. The fire market in the US experienced difficult market conditions due to reduced federal funding for protective equipment to US fire departments.

AEF has been affected by lower DoD orders and after a reasonable start to the year, the subsequent reduction in order intake adversely impacted revenue by £15m.

The Dairy business has continued to grow with revenues increasing by 10% to £30.2m (2010: £27.4m) and operating profit increasing by 19% to £5.5m (2010: £4.6m). The market for our dairy products has been robust and while input costs have risen substantially in the period and remain volatile, we have been able to pass these increases on to our customers. Our groundbreaking mouthpiece vented liner continues to gain an impressive market share in the US and this, together with the full year benefits of the outsourcing of the European manufacturing has improved profitability.

DIVIDEND

Based on the Group's improved profitability, cash generation, agreement of a revised deficit recovery plan with the pension scheme Trustee and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 33% increase in the final dividend to shareholders of 2.0p per ordinary share (2010: 1.5p). This, combined with the 2011 interim dividend of 1.0p, makes a full year dividend of 3.0p (2010: 1.5p).

EMPLOYEES

We have challenged our employees to change significantly over the last three years. This has been required to support the Group's progression to a customer and technology driven, sales and marketing led organisation. As we progress, we are focused on 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 responded positively and I thank 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. We are seeing that the global leading positions we already have in our markets are leading to further opportunities for growth. We will continue to invest in new technologies and products and in building our brand and market reach to bring these opportunities to fruition.

BOARD CHANGES

I have told my colleagues that it is my intention to retire as Chairman at the next annual general meeting. They have asked me to remain as a Board member to ensure a smooth transition. I am delighted to accept. David Evans, who has already proved his capabilities as a Non Executive Director for the last five years, will take over from me. I can think of no-one better qualified and he has already proved himself an invaluable asset with his knowledge and experience in the defence sector. We are lucky to have him.

When I became Chairman five years ago Avon had lost its way. The old entrepreneurial Group, world famous for its tyres, its automotive components and its rigid inflatable boats had been pared down and sold off bit by bit. It had failed to innovate, find new products, and compete with the rising threats from emerging countries.

I am glad to say all that is now fast becoming a distant memory. Avon is a new animal. Avon is the world leader in respirators and dairy liners because it has rediscovered its old flair for research, design innovation, presentation and marketing. Many of the same people have changed out of all recognition and in doing so have revolutionised the Group. The new recruits have brought enthusiasm and ambition. The Avon team is now a match for anyone, anywhere. Avon is beating its forecasts, becoming increasingly profitable and has returned a dividend to its shareholders. It has an exciting new product portfolio in the pipeline and has self belief and confidence. I would like to congratulate all those at every level in the US, the UK and across the world who have brought about this extraordinary transformation. Long may it continue.

THE NEW AVON EZAIR

AVON PROTECTION

OPPORTUNITIES THROUGH DESIGN AND INNOVATION

Avon Protection has launched a new generation of NIOSH approved compact, battery powered modular airflow units. By combining a major advance in Avon respiratory system engineering within an ergonomically designed housing unit, these new Avon EZAir modules promise a dramatic reduction in the physical burden of traditional respiratory systems. Designed primarily for use with Avon Protection's class leading FM53 and C50 full-face respirators, the Avon EZAir module will introduce a new category of breath assist blower for first responders within a respirator that makes it easier for them to breathe while reducing the size and weight of traditionally burdensome systems.

OUTLOOK

We expect to make further progress despite an uncertain outlook for global defence spending.

In our Protection & Defence business, being the technology leader, operating in global markets, investing in people and products and having an appropriate cost base has allowed us to deliver substantial growth despite the weak economic environment since 2008. We will accelerate our investment in new products and technologies and will focus on operational efficiencies in 2012 to deliver further growth and operating margin improvement.

The Dairy business remains well positioned in a market with long term growth potential. Our cost base is appropriate and stable and we have opportunities to further improve profitability by developing our strong Milk-Rite brand in growing global markets and by enhancing our product portfolio.

Richard Needham

The Rt. Hon. Sir Richard Needham
Chairman
23 November 2011

1. BUSINESS OVERVIEW

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

PROTECTION & DEFENCE

Our Protection & Defence business consists of a growing range of respiratory products. The main Protection & Defence products are respirators or gas masks (product names S10, FM12, M50, C50, ST53 and M53) together with a range of spares and accessories; the CE approved emergency hood (EH20), NIOSH approved emergency hood (NH15) and self-contained breathing apparatus (SCBA) (primarily the Viking product range). The respirators and escape hoods offer breathing protection to varying degrees against CBRN threats while the SCBA equipment offers protection in oxygen depleted environments. We can also manufacture the consumable filters used by these products and thermal imaging camera equipment.

During the year we launched the first of a new range of Powered Air Purifying Respirators (PAPR) branded AvonAir which are NIOSH approved compact, battery powered modular airflow units. We also entered into a partnership with the CamelBak hydration equipment brand to complement our mask range with a uniquely engineered hydration system and further extend our market reach into the military, homeland security and first responder protective equipment arena. A pipeline of further new product developments is being established.

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

DAIRY

Our Dairy business manufactures and sells products used in the automated milking process, primarily rubberware such as liners and tubing. These products can be in direct contact with the cow and are replaced regularly to ensure product hygiene, animal welfare and to maximise milk quality. The global market is concentrated in high consumption automated markets in North America and Western Europe where we have significant market shares. Potential exists outside our traditional markets, in particular in China, Eastern Europe, Australasia and South America, which are experiencing rapidly increasing demand for dairy products, and in mechanised milking. Our products are manufactured for major Original Equipment Manufacturers (OEMs) as well as being sold through distributors under our own Milk-Rite brand. We excel in product design, materials specification and manufacturing efficiency. We are working to bring a wider range of dairy products to market under our Milk-Rite brand, enhancing the farmer's view of Milk-Rite as their primary technical solutions provider. The success of the innovative Milk-Rite Impulse Mouthpiece Vented liner launched in the second half of 2010 has continued in 2011 and this product has already claimed an 8% market share in the United States.

GERMAN SPECIAL FORCES WORKSHOP

AVON PROTECTION

OPPORTUNITIES WITH SPECIAL FORCES

Avon Protection exhibited at the 3 SFW – German Special Forces workshop, a closed event which took place at the Police Academy in Gustrow. Avon's FM53 was used for the two man teams shooting challenge which involved special units mainly from the EU. A total of 35 teams participated with representatives from Italy, Switzerland, Luxembourg, US and Germany.

2. OBJECTIVES AND STRATEGIES

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

We have two strategic priorities at group level:
- Expanding our Protection & Defence business; and
- Sustaining and developing our strong Dairy operations.

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 page 17.

PROTECTION & DEFENCE

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

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

DAIRY

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

THE NEW AVON SEMINAR PROGRAMME

AVON PROTECTION

NEW MARKET OPPORTUNITIES

Having proved highly successful in Madrid and Warsaw the Avon Seminar Programme was recently held at the British Embassy in Hungary. Representatives included the Hungarian Antiterrorist Centre, Budapest Police, the Ministry of Defence, Paks Nuclear Power Plant, Special Service for National Security and National Defence University.

Hosted by the local British Embassy with the help of our agents, only the highest calibre of customer is invited. This is raising the Avon Protection profile in new geographic locations and markets.

3. YEAR UNDER REVIEW

Avon has continued to make progress in 2011 and has delivered a robust set of financial results, building on the substantial financial and operational improvements delivered in 2010 following the turnaround and return to profit in 2009.

The Group's key achievements in 2011 have been:-

- Operating profit growth of 20% to £11.1m.
- Operating margins improved 2.4% to 10.3%.
- Interest payable halved from £1.0m to £0.5m.
- Earnings per share up 66% to 25.2p.
- Final dividend increase of 33% to 2.0p reflects business growth and confidence.
- Cash generated from continuing operating activities of £12.0m (2010: £13.6m), representing 108% (2010: 147%) of operating profit.
- Order intake in Protection & Defence of £60.0m (2010: £61.7m).
- In Protection & Defence, non US Government sales are increasing.
- Award of three year IDIQ contract with maximum contract value of approximately $38m for the continued supply of M61 filters.
- Market share of newly introduced Impulse Mouthpiece Vented liner reached 8% in North America.
- Update of UK retirement benefit scheme triennial valuation shows it to be 98.4% funded resulting in lower deficit recovery payments.
- Product development program accelerated.

RESULTS

Avon has continued to make good progress during 2011. Revenue decreased by £10.0m (8%) to £107.6m (2010: £117.6m) with Protection & Defence down 14% from £90.2m to £77.4m and Dairy revenue up 10% from £27.4m to £30.2m. The operating profit was £11.1m (2010: £9.3m) and earnings before interest, taxation, depreciation, amortisation (EBITDA) were £15.7m (2010: £13.6m). This represents a return on sales (defined as EBITDA divided by revenue) of 14.6% (2010: 11.5%). After net interest and other finance costs the profit before tax was £10.2m (2010: £7.1m). After tax, the profit for the year was £7.1m (2010: £4.3m).

FINANCE EXPENSES

Net interest costs reduced to £0.5m (2010: £1.0m) reflecting the improved cost of funding negotiated as part of our new longer term financing arrangement. Other (non-cash) finance expenses associated with the Group's UK retirement benefit scheme and the unwinding of discount rates on provisions were £0.4m (2010: £1.2m). The decrease in the pension cost resulted from a change in actuarial assumptions, the most significant of which was the move to CPI from RPI for the valuation of deferred pension benefits.

THE NEW CBRN SUIT SEAL

AVON PROTECTION

OPPORTUNITIES WITH NEW PRODUCTS

Avon has successfully delivered its new CBRN suit seal, now in full scale production at our facility in Melksham, UK. Overcoming the significant challenge to full CBRN body protection when wearing both a protective suit and mask, Avon's new suit seal provides an accurate and agent proof seal between these two vital means of defence. Avon's suit seal offers CBRN suit and safety apparel manufacturers the capability to add a significant new dimension in protection to their customers using a suit and mask combination. Many have now placed orders including world-leading manufacturers Blauer and Lion Apparel.

TAXATION

The tax charge totalled £3.1m (2010: £2.8m) on profit before tax of £10.2m (2010: £7.1m). In 2011 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 30% (2010: 39%). The adjusted effective tax rate was 29% (2010: 34%), defined as the tax charge divided by the profit before tax, excluding the charge relating to other finance expense. The reduced tax rate reflects a combination of the geographical split of taxable profits and the lower other finance expense relating to the pension scheme. In 2011 the US Federal Tax rate was 34% and the Group's adjusted effective tax rate reflects the predominance of US revenues and earnings. The US tax rules were temporarily changed in 2011 to allow an immediate deduction for capital items purchased within a specific period, resulting in an increase in the deferred tax liability. Unrecognised deferred tax assets in respect of tax losses in the UK amount to £5.0m (2010: £6.5m).

EARNINGS PER SHARE

The basic earnings per share were 25.2p (2010: 15.2p).

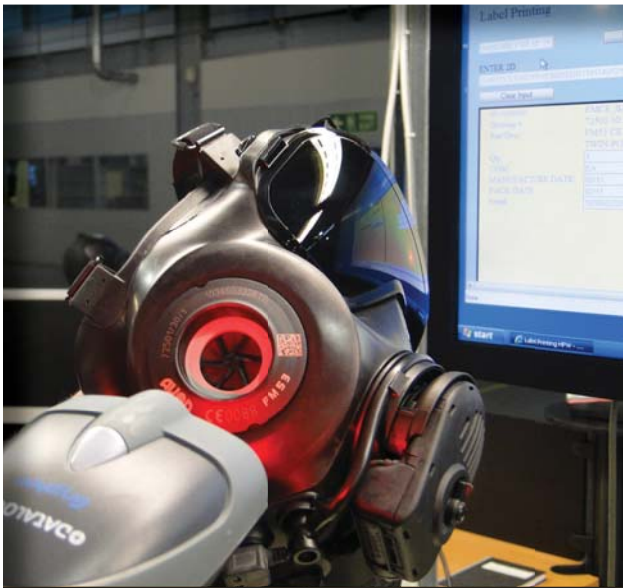
Adjusted earnings per share were 31.4p (2010: 21.9p). Adjusted earnings per share exclude the impact of amortisation of intangibles.

NET DEBT AND CASHFLOW

Net debt at the year end was £11.8m (2010: £12.6m). Total bank facilities were £24.6m, the majority of which are US $ denominated and committed to 30 March 2015.

In the year we invested £5.7m (2010: £5.6m) in property, plant and equipment and new product development, particularly in the Protection & Defence business where we secured NIOSH approval for Avon's powered air product, Avon EZAir and launched the first product in this new range to the market in the second half of the year.

Continuing operating activities generated cash of £12.0m (2010: £13.6m), representing 108% of operating profit (2010: 147%) and we invested £3.9m (2010: £0.3m) in working capital to support final quarter DoD deliveries. In September we delivered $11m of M61 filters under the IDIQ contract awarded in August which added to our receivables balance at the year-end. This, together with £15m lower revenues at AEF, resulted in the trade working capital to revenue ratio increasing to 21.0% (2010: 14.6%).



THE NEW MASK TAGGING SYSTEM

OPPORTUNITIES TO SUPPORT CUSTOMERS

Avon Protection has introduced a new respiratory mask tagging system in response to growing concerns over lost or stolen military respirators and to support its global servicing centre roll out.

Each Avon 50 series mask is now indelibly bar-coded which permits a unique identity code, specific to each mask, to be scanned and the equipment's source, ownership and servicing record centrally registered and recalled as necessary. Not only will this enable a full maintenance record to be initiated and maintained by using a hand held scanning device, but any masks that are illegally sold or mislaid can be traced to their original military owners.

SEGMENTAL PERFORMANCE

PROTECTION & DEFENCE

Protection & Defence represents 72% (2010: 77%) of total Group revenues. Revenue fell by 14% to £77.4m (2010: £90.2m) due to lower revenue at Avon Enginereered Fabrications (AEF) (down £15m) due to lower DoD orders for fuel and water storage tanks. Operating profit increased to £7.5m (2010: £6.5m) and EBITDA was £11.6m (2010: £10.4m), representing a return on sales (as defined on page 17) of 15.0% (2010: 11.5%).

In May 2008 our Cadillac facility was successful in obtaining a single source $112m, five year full rate production order from the US Department of Defence (DoD) for the M50 military respirator at the rate of 100,000 mask systems per annum. The DoD also exercised its 'requirements' option which extends the contract 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.

In 2011 we delivered product to the value of $71.8m (2010: $68.8m) to the DoD against these and other associated spares contracts. There were total orders in hand of $46.7m at 30 September 2011, of which $41.1m are for delivery in 2012, giving us good visibility on this long term contract.

Growth outside our core DoD customer base has been strong with increased orders and sales of the C50 (the commercial non-DoD variant of the M50 mask). Significant order wins from customers in Saudi Arabia, Kuwait, France and our first foreign military sale through the DoD led to an improved sales mix.

In the UK, the Ministry of Defence (MoD) exercised the third year of its three year option contract for S10 masks which was worth £1.6m. The production record for the MoD shows no recorded quality problems and an excellent on time delivery record but despite this and the availability of the world leading replacement product in the 50 series respirator, the MoD remains committed to the decision it made in 2004 to change to an alternative product and supplier from 2012 and our contract has now come to an end. The UK MoD continue to order the enhanced M53, a higher specification derivative of the M50, for UK Special Forces.

The success of Avon's unique ST53 product, which combines our special forces military mask with a set of self-contained breathing apparatus has been apparent in both the US Homeland Security and foreign military markets.

The fire market in the US experienced difficult market conditions due to a reduction and delay in the release of Federal funding to US fire departments.

AEF which has historically experienced irregular order patterns, has been affected by lower DoD order releases and after a reasonable start to the year, the subsequent reduction in order intake adversely impacted revenue by £15m.

In product development, a new program of product range expansion and enhancement (Project Fusion) has been initiated and this investment is expected to provide further organic growth from 2013.

PARTNERSHIP WITH CAMELBAK

AVON PROTECTION

OPPORTUNITIES WITH PARTNERS

Avon Protection has entered into a formal partnership with CamelBak the world-leading hydration equipment brand. This will enable Avon to complement its CBRN mask range with a uniquely engineered hydration system and further extend market reach into the military, law enforcement and first responder protective equipment arena.
Core to the new Avon Protection hydration system is the CamelBak chem/bio resistant three litre flexible reservoir. This has been specifically engineered to fit directly to any Avon Protection CBRN mask and will provide a new dimension in refreshment support and comfort for task forces and first responders operating in a CBRN environment.

DAIRY PERFORMANCE

Revenues for the Dairy business were up 10% at £30.2m (2010: £27.4m) which generated an operating profit of £5.5m (2010: £4.6m). EBITDA was £5.9m (2010: £5.0m), giving a return on sales (as defined on page 17) of 19.6%, up from 18.3% in 2010.

The improved profitability in our Dairy business resulted from the full year benefit of the outsourcing of European manufacturing and growth in our own brand, Milk-Rite in both North America and Europe. The increased market share in the US for our revolutionary Impulse mouthpiece vented liner (IP-MV), launched in 2010 and which had achieved 8% market share in North America by the end of 2011, also enhanced profitability.

"THE BIGGEST ADVANCE IN THE MILKING PROCESS IN A GENERATION"

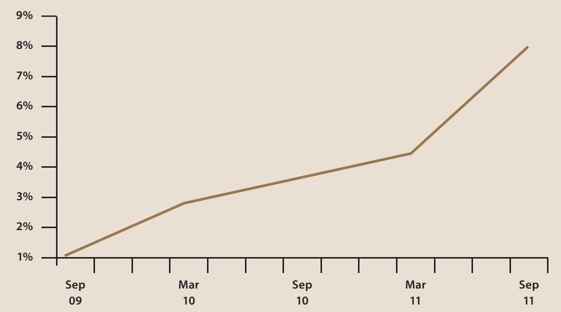
MILK-RITE®
animal health and milk quality

IMPULSE MOUTHPIECE VENTED TECHNOLOGY

The revolutionary Impulse Mouthpiece Vented ('IP-MV') range of liners has achieved 8% (2010: 2%) market share in North America since being introduced in 2010. The IP-MV reduces the damaging effects of vacuum on the cow's teat giving a smooth, efficient airflow. This controlled airflow improves the milk movement away from the cow thereby eliminating cross contamination.

While input costs have risen substantially during the period and remain volatile, we have successfully passed these increases on to our customers. The pass through of raw material price rises contributed £1.5m to the increase in revenue in the year, but has diluted margin in percentage terms.

IPMV MARKET SHARE IN NORTH AMERICA



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 £6.3m deficit at 30 September 2010 to a £0.3m surplus at 30 September 2011. This movement has resulted from a change in the assumption related to the valuation of deferred members' benefits from an RPI to a CPI basis and an increase in asset values, offset by more prudent long term inflation and mortality assumptions.

The triennial actuarial valuation due in 2012 was brought forward to 31 March 2011 by agreement with the pension scheme Trustee. The valuation shows the scheme to be 98.4% funded and the Company has reached an agreement with the Trustee on future contributions which has resulted in a reduction in the amounts payable under the deficit recovery plan.

During 2011, the Company paid total contributions of £0.9m. Following the updated valuation, the Company has agreed to honour the payment of £0.5m due in 2012 under the previous deficit recovery plan. Annual contributions for 2013 to 2016 will reduce to £0.3m.

RESEARCH AND DEVELOPMENT

Intangible assets totalling £10.5m (2010: £8.8m) 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 development expenditure was £1.7m (2010: £1.8m).

Our total investment in research and development (capitalised and expensed) amounted to £6.6m (2010: £2.3m) representing 6.1% (2010: 2.0%) of revenue, of which £1.7m (2010: £1.2m) was customer funded.

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

NEW RESPIRATOR MANUFACTURING CELL

AVON PROTECTION

INNOVATIVE MANUFACTURING

The UK site has commissioned a new respirator manufacturing cell to replace the S10 line. This innovative single piece flow cell was designed and developed collaboratively between operators, supervisors, technical and engineering teams and is a showcase for everything that is myNOVA (see pages 28 and 29). Supporting EMEA and North American sales, the cell has added to the Group's manufacturing capacity for C50s.

We expect to see the benefits of these efforts, which underpin the long term prosperity of the Group, over the next three years.

www.avon-protection.com

AVON PROTECTION

AVON PROTECTION BROADENS MARKET FOCUS WITH NEW WEBSITE

Avon Protection's redesigned website features improved customer navigation and streamlined graphics, according to James Wilcox, Avon Protection's Global Director of Marketing and Product Management. He adds, "Avon Protection is extending its established military stronghold to embrace major new opportunities within the law enforcement, firefighting, first responder, industrial and homeland security sectors."

"These have been strongly identified as markets that also seek unrivalled product pedigree and professional expertise in the CBRN arena. Our new website will therefore enable us to showcase Avon products and accurately target specific end-users and key decision makers in these new global markets and deliver them the best in respiratory protection solutions."

Research and Development expenditure

	Protection & Defence £m	Dairy £m	Total £m
Total expenditure	6.3	0.3	6.6
Less customer funded	(1.6)	(0.1)	(1.7)
Group expenditure	4.7	0.2	4.9
Capitalised	(3.2)	-	(3.2)
Income statement impact of current year expenditure	1.5	0.2	1.7
Amortisation	1.7	-	1.7
Total income statement impact	3.2	0.2	3.4
Revenue	77.4	30.2	107.6
R&D spend as % of revenue	8.1	1.0	6.1

4. KEY PERFORMANCE INDICATORS (KPIs)

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

RETURN ON SALES

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 exceptional items in 2009) from continuing operations ('EBITDAE') divided by revenue.

Comments on results
We have succeeded in growing profit despite a reduction in revenue due to an improved sales mix leading to an improvement in margins.

increased to **14.6%**

ADJUSTED EARNINGS PER SHARE

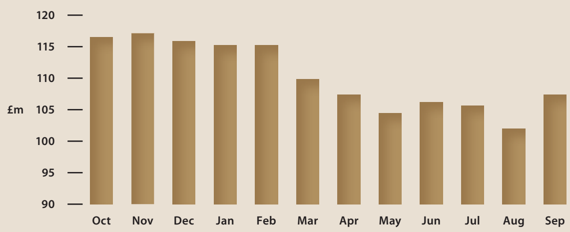
Reason for choice
This measure is designed to include the effective management of interest costs and the tax charge and measure the total return achieved for shareholders.

How we calculate
Profit after tax excluding the impact of exceptional items and amortisation of intangibles, divided by the number of shares in issue.

Comments on results
Lower interest costs and a lower Group effective tax rate in 2011 have contributed to an improved EPS position.

increased by **43%**

REVENUE MOVING ANNUAL TOTAL (MAT)



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 fallen by 8% in 2011 with growth in Dairy of 10% offset by a reduction in Protection & Defence of 14% as AEF revenue decreased due to delays in the approval of the US defence budget.

decreased by **8%**

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
As expected the consumption of £14m of our 5 year DoD fixed order has led to a reduction in our order book in 2011.

reduced by **£15m**

TRADE WORKING CAPITAL TO REVENUE RATIO

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

How we calculate
Trade working capital is defined as inventory plus trade receivables minus trade payables, expressed as a percentage of revenue.

Comments on results
As expected, the high value of quarter 4 sales of filters to the DoD led to an increase in receivables at the year end.

increased to **21.0%**

*2009 figures are calculated before exceptional items in relation to the relocation of European dairy production to the Czech Republic and the profit on sale and leaseback of freehold property.

Our non-financial KPIs in relation to health and safety and employees are detailed in our Environmental and Corporate Social Responsibility report on pages 26 to 31.

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

5. PRINCIPAL RISKS AND UNCERTAINTIES

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

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

RISK MANAGEMENT WITHIN THE BUSINESS INVOLVES:

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

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

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

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

Financial risks are covered in section 6 of the business review and note 18 of the Group financial statements.

TYPE OF RISK	BUSINESS RISK	MITIGATION
1. Operational ↑	**Quality 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 the set 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
2. Operational ↓	**Business interruption – supply chain** • Dependency on sole supplier/subcontractor • Availability/quality of raw materials • e.g. raw materials used by our dairy business are in limited supply worldwide. This has driven up prices in the market. Lack of materials of the appropriate quality and quantity could lead to production delays and quality issues	• 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
3. Strategic →	**Product development** • Failure to meet regulatory product/system requirements • Lack of investment in new products • Lack of expertise and skills • Lack of ability to identify and implement new products • e.g. protection equipment and dairy products require safety approvals in each market in which they are sold. Obtaining approval can lead to delays in product launches or significant rework for different markets	• Publication of technology roadmap, intellectual property manual and new product introduction process. • Focus on delivery of projects in the roadmap on time, to budget and cost • Sales and product development have the objective of delivering external funding and new revenue streams. This coherent strategy helps retain skills and makes recruitment easier
4. Strategic →	**Competitor threat** • Lack of sales growth • Loss of major contract or business to competitor • e.g. price competition in the dairy market	• Safety approvals and sole source supply contracts provide significant barriers to entry • Continued investment in product development to ensure competitive advantage e.g. our IP-MV 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
5. 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 site visits 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 process and the reward and incentives structure
6. Strategic →	**Customer dependency** • Over reliance on 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) • Grow sales to other customers e.g. continue to expand protection sales into new countries and markets and expand dairy sales into developing markets • Setting and regular monitoring of sales budgets and major sales prospects by the Group Executive and the Board
7. Operational →	**Non-compliance with legislation** • Failure to comply with export controls, International Traffic in Arms Regulations (ITAR), product approvals and the Bribery Act	• Regular focus and review of the ITAR control framework, NPI process and internal control procedures • Regular communication and training for all employees.

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

6. TREASURY POLICY AND EXCHANGE RATES

The Group uses various types of financial instruments to manage its exposure to market risks which arise from its business operations, full details of which are included in note 18 of the financial statements. The main risks continue to be movements in foreign currency and interest rates.

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

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

- Based on the 2011 results a 5¢ movement in the average US dollar rate would have impacted reported operating profit by £0.4m (2010: £0.2m) and profit after tax by £0.3m (2010: £0.1m).

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 27% hedged (2010: 31%). As a result of the remaining balance sheet exposure after hedging, the Group was exposed to the following:

- Based on the 2011 results a 5¢ movement in the average US Dollar rate would have impacted Group assets by £0.8m (2010: £1.0m).

The Group is exposed to interest rate fluctuations and with net debt of £11.8m (2010: £12.6m) a 1% movement in interest rates would impact the interest costs by £0.1m (2010: £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 (2010: £nil).

GIVING TIME BACK TO THE FARMER

MILK-RITE®
animal health and milk quality

CLUSTER EXCHANGE SERVICE

We have introduced a new process with our Cluster Exchange Service to assist farmers with easier and quicker liner change. The service offers a no hassle change process with new clusters delivered automatically to the farmer. Clusters are received assembled and ready to go with no liner assembly required. The improved cleaning regimes also reduce the possibility of infection and mastitis in the cow.

7. ENVIRONMENTAL, EMPLOYEE AND SOCIAL & COMMUNITY ISSUES

These matters are discussed on pages 26 to 31.

Peter Slabbert
Chief Executive
23 November 2011

Andrew Lewis
Group Finance Director
23 November 2011

BOARD OF DIRECTORS

THE RT. HON. SIR RICHARD NEEDHAM
CHAIRMAN

Aged 69, having served five years on the Board as Chairman, Sir Richard will step down from this position at the Annual General Meeting on 2 February 2012. Sir Richard will continue to bring valuable support to the Group as a Non-Executive Director from that date. Sir Richard was appointed to the Board as Chairman in January 2007. He was Member of Parliament for North Wiltshire from 1979 to 1992 and has served as a Minister in Northern Ireland and as a Minister of Trade. In 1994 he was made a Privy Counsellor and was knighted in 1997. He is Vice Chairman of NEC Europe Ltd and an independent Director of Dyson Ltd and Lonrho Plc. He was an Executive Director of GEC PLC, Chairman of GPT Ltd and was previously Chairman of Biocompatibles plc and a Non-Executive Director of Meggitt Plc.

"We are focused on creating a culture of innovation to take advantage of opportunities in new markets and new products to deliver further growth."

PETER SLABBERT
CHIEF EXECUTIVE

Aged 49, in January 2011 Peter received the Chief Executive of the Year Award at the Grant Thornton Quoted Company Awards. Peter joined Avon as Group Financial Controller in May 2000. He was appointed Group Finance Director on 1 July 2005 and Chief Executive on 21 April 2008. A Chartered Accountant and a Chartered Management Accountant, Peter joined Avon from Tilbury Douglas where he was Divisional Finance Director and Group Financial Controller. Prior to that, he worked at Bearing Power International as Finance Director.

ANDREW LEWIS
GROUP FINANCE DIRECTOR

Aged 40, in May 2011 Andrew was recognised as The Young FD of the Year in the FD's Excellence Awards in association with the Institute of Chartered Accountants in England and Wales (ICAEW). 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. He gained a wide range of international experience as a Director at PricewaterhouseCoopers before joining Rotork p.l.c. as Group Financial Controller.

DAVID EVANS
NON-EXECUTIVE DIRECTOR

Aged 65, David will be taking up the position of Chairman when Sir Richard steps down in February 2012. David was appointed to the Board in June 2007. He has been working in the defence sector for over 30 years and has extensive knowledge of the US market. David spent 17 years with GEC-Marconi before joining Chemring Group PLC in 1987 and was appointed Chief Executive in 1999. He has remained on the Chemring Board as a Non-Executive Director following his retirement in April 2005. He was previously a Non-Executive Director of Whitman PLC.

STELLA PIRIE OBE
NON-EXECUTIVE DIRECTOR

Aged 61, Stella was appointed to the Board in March 2005. She began her career as an auditor at KPMG before becoming Divisional Finance Director and Group Treasurer of Rotork p.l.c. and then Finance Director of GWR Group Plc. Stella holds a degree in Economics from the University of Manchester. She is a Non-Executive Director of Schroder UK Growth Fund Plc and Highcross Group Ltd and is also Chairman of Bath Spa University. Stella was awarded the OBE in 1999.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Directors submit the annual report and audited consolidated 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 2011. The Company is registered in England and Wales, No. 32965.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The business review, which includes information on the Group's development and performance during the year, commentary on future developments and a description of how the Company manages principal risks and uncertainties is set out on pages 10 to 20.

FINANCIAL RESULTS AND DIVIDEND

The Group profit for the year after taxation amounts to £7,118,000 (2010: £4,326,000). Full details are set out in the statement of comprehensive income on page 44.

An interim dividend of 1.0p per share was paid in respect of the half year ending 31 March 2011 (2010: nil).

The Directors recommend a final dividend of 2.0p per share (2010: 1.5p) resulting in a total dividend distribution per share for the year to 30 September 2011 of 3.0 p (2010: 1.5p).

SHARE CAPITAL

Details of the Company's share capital, including rights and obligations attaching to the shares, are set out in note 19 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 2,537,681 shares held in the names of the two Employee Share Ownership Trusts as a hedge against awards previously made or to be made pursuant to the Performance Share Plan are held on terms which provide voting rights to the Trustee and, in certain circumstances under the terms of joint ownership awards, to the 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's subsidiary 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 14 November 2011, the following shareholders held 3% or more of the Company's issued ordinary share capital:-

Schroder Investment Management	17.25%
Henderson Global Investors	11.24%
Avon Rubber p.l.c. Trustees	8.26%
BlackRock Investment Management	5.10%
M&G Investment Management	3.98%
EFG Harris Allday	3.71%
Hargreave Hale & Co	3.20%
Barclays Stockbrokers Limited	3.13%

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 set out in the explanatory note on page 96. No share purchases were made by the Company during the year but it did fund the purchase of 100,000 shares with a nominal value of £1 each by one of the Employee Share Ownership Trusts as described in note 19. 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 2010 annual general meeting. In addition, shareholders approved a resolution giving the Directors a limited authority to allot shares for cash other than pro rata to existing shareholders. These resolutions remain valid until the conclusion of this year's annual general meeting when resolutions to renew these authorities will be proposed. Dividends on shares held by the Employee Share Ownership Trusts have been waived.

DIRECTORS

The names of the Directors as at 23 November 2011 are set out on page 21.

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

During the year there have been no changes to the membership of the Board. Mr D.R. Evans will succeed Sir Richard Needham as Chairman at the next annual general meeting with Sir Richard remaining as a member of the Board. None of the Directors have a beneficial interest in any contract to which the Company or any subsidiary was a party during the year. Beneficial interests of Directors, their families and trusts in ordinary shares of the Company can be found on page 40.

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

Mrs. S.J. Pirie and Mr. A.G. Lewis retire by rotation and, being eligible, offer themselves for re-election.

The Board confirms that Mrs. S.J. 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 21.

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

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

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

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

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

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

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 £6,600,000 (2010: £2,300,000) further details of which are contained in the Business Review on pages 10 to 20.

Through ARTIS, the Group's research and development brand, 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 at the end of this report on pages 26 to 29.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to £15,337 (2010: £13,980) consisting exclusively of numerous small donations to various community charities in Wiltshire, Michigan, Wisconsin, Georgia and Mississippi.

FINANCIAL INSTRUMENTS

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 18 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 the 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). 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 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 Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are listed on page 21 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the review of the business contained on pages 10 to 20 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 2011, the number of days purchases outstanding at the end of the financial year for the Group was 23 days (2010: 27 days) based on the ratio of trade payables at the end of the year to the amounts invoiced during the year by trade payables. At 30 September 2011 there were no trade creditors in the balance sheet of the parent company (2010: 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 32 to 35. 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 2 February 2012 at 10.30am. The Notice of Meeting can be found on pages 96 to 104. Registration will be from 10:00am.

Miles Ingrey-Counter
Company Secretary
23 November 2011

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

ANNUAL REPORT ON ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

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

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 and Code also contains guidance on avoiding conflicts of interest and managing relationships with third parties.

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

ETHICS AND ANTI-CORRUPTION

The latest version of the Policy & Code contains additional material on bribery and corruption further to the introduction of the UK Bribery Act 2010, which includes a new corporate offence of failing to prevent bribery. These areas continue to receive more 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 will be incorporated into all written arrangements. The Policy & Code also contains a whistleblowing procedure which enables any employee or individual working for the Group to raise concerns about breach of policy or malpractice.

ENVIRONMENT

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 they can be and our environmental objectives continue to 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 operate in a manner that is 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.

UK

Hampton Park West (HPW) in Wiltshire is registered as a full participant in the Environment Agency's Carbon Reduction Commitment Energy Efficient Scheme (CRC), making energy saving even more important, not only to minimise our impact on the environment but also to manage the cost of future allowances and the Company's reputation. HPW recently submitted initial energy usage figures for CRC. The outcome will be available early in 2012 and will help to drive important improvements over the coming year.

HPW maintains its commitment to identifying and implementing opportunities to reduce its energy consumption and carbon footprint. Continuing with initiatives adopted last year, HPW has during the year made a further saving in electricity of 97,836KWh (2010: 228,730Kwh) which is equivalent to 53 tons of CO_2 (2010: 125 tons of CO_2), a saving of £8,805. There were also further efficiency savings in gas energy consumption with usage reduction of 119,702 100 cubic feet, a saving of £4,168 compared with 124,606 100 cubic feet usage last year.

As in previous years HPW passed two audits for ISO 14001 this year and is looking to introduce environmental education programmes for staff.

Recycling at HPW is currently averaging 82% with further improvements targeted for the year ahead. All reject rubber components and waste manufactured at HPW is targeted to be sent to a manufacturer of playground safety materials. This will save landfill costs and presents an opportunity for the unwanted material to be recycled.

USA

All manufacturing sites, Cadillac, MI., Johnson Creek, WI., Picayune, MS., Lawrenceville, GA., and the Research & Development centre in Belcamp, MD. have maintained local, State, and Federal compliance requirements. We have also continued our work on waste, recycling and overall reduction in energy consumption during the year.

The US sites are seeking to create a more formal pipeline of new projects/ideas in this area next year. This year we have made significant improvement in implementation of higher efficiency lighting and general appliances across our sites.

We have made waste and total cost of operations a paramount driver in the design, purchase, and implementation of decisions.

Examples include;

- Demilitarization of process scrap for DoD products will reduce landfill volumes by 30% - 40%
- Implementation of energy star appliances
- Increased recycling of wood and corrugated packaging materials
- Exchange of existing lighting with high efficiency fluorescent fixtures
- Elimination of offsite warehouses to reduce utilitilities consumption
- Kaizen events which yielded paperless or paper reduction vs. current process
- Promoting use of our Group wide video and web conferencing systems to reduce car and air travel

The implementation of top level metrics will continue to drive increased traction on these projects next year and standardised communication procedures will encourage best practice sharing across sites.

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. Consequently, accident rates are low across the Group.

Our safety performance is one of the non-financial key performance indicators reviewed regularly by local management.

ACCIDENT RATES ACROSS THE 5 MANUFACTURING SITES DURING 2011

	OSHA TOTAL CASE INCIDENT REPORT RATE FOR THE YEAR*		OSHA RECORDABLE ACCIDENTS FOR THE YEAR	
	2011	2010	2011	2010
Hampton Park West, UK	3.0	NIL	4	NIL
Avon Protection Systems, Cadillac	4.5	2.7	11	8
Hi-Life, Wisconsin	6.9	NIL	9	NIL
ISI, Georgia	5.5	NIL	3	NIL
AEF, Mississippi	8.1	11.3	3	5

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

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

FOCUS ON AVON'S CULTURE OF IMPROVEMENT

The NOVA program was introduced several years ago to focus on transforming Avon into a modern, flexible, customer service driven organisation whose employees operate in an engaged environment of trust and empowerment. The Company's core values remain the same and are embodied by the acronym CREED. CREED is 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 businesses

The CREED values are fundamental to Avon's employee Performance Management Process which now provides for each employee to be assessed against NOVA's desired behavioural competencies.

The Company continues to recognise outstanding individuals through its 'CREED Heroes' programme. This is a quarterly award scheme at each site whereby employees can nominate colleagues who 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.

Fundamental to CREED is Avon's commitment to customer focus. In the first half of 2011 a thorough review of the customer service systems and procedures operating in the Protection business was undertaken to identify opportunities to streamline outdated, overly bureaucratic processes and to remove duplication of effort. In the second half of the year a project to implement these improvement opportunities commenced and to date a significant proportion of them have been addressed with the remainder planned for adoption before the end of 2011. At the same time we have seen the introduction of Avon's Value Stream Teams, which have started implementing structures focused on daily management of production through regular tiered meetings, helping drive quick closure of identified issues, problems and opportunities.

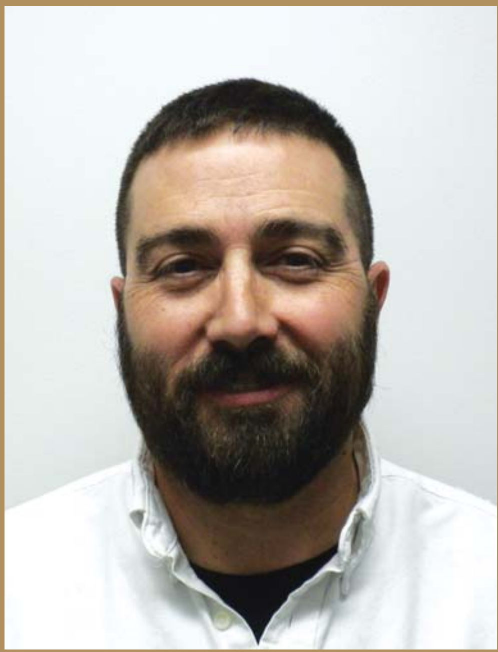
However, improvements to the way Avon's employees work are not just the responsibility of select project teams. Each of Avon's employees are empowered through the 'myNOVA' initiative to not only recommend but implement their own small-scale improvements to their working environment or day-to-day processes. 'myNOVA' has already realised the potential that many small improvements can collectively make a significant difference, and we continue to encourage further 'myNOVA' ideas.

Engagement of our employees and two-way communication is key to the success of the Group. Every 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 put themselves in the shoes of the Chief Executive, to suggest ways Avon could improve.

The EOS is a clear driver for change and all responses are collated and presented to employees. Each site management team is then tasked to review each idea and suggestion and publishes its responses and plans for improvement.

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 focus on the future and continuing to ensure success.

AVON'S CREED HERO FOR 2011



LESTON MULDER

OF AVON PROTECTION SYSTEMS, CADILLAC

KELLY MITCHELL
SITE CREED HERO FOR AEF

SCOTT LISHKA
SITE CREED HERO FOR AVON HI-LIFE

MARTIN BENNETT
SITE CREED HERO FOR HPW

NATHAN COOK
SITE CREED HERO FOR AVON ISI

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

COMMUNITY AND CHARITABLE CONTRIBUTIONS

FOCUS ON CADILLAC

- In July Avon Protection in Cadillac sponsored Feeding America and our employees assisted with the distribution of fresh food to over 200 families. This is the second year we have participated and it continues to be a rewarding experience for our employees. Ann Clous of Avon Protection said; "It makes you appreciate the blessings you have when you see so many others in need in our community".
- Once again the Salvation Army provided a list of items required by a local family which were provided when they were anonymously "Adopted for Christmas".
- Avon Protection donated $1,000 to the Cadillac Rotary Foundation and $500 to the Cadillac Community Free Clinic.
- Our employees in Cadillac contribute to United Way every year either by one-time donations or via monthly payroll. Avon Protection itself also contributes $2,000.
- Our employees continued with Jeans Day Fridays raising $5,400 which was distributed to 12 local societies and charities in the Cadillac community.
- Support Oasis, a local shelter for women who are victims of domestic abuse, was supported by our employees through a can and bottle recycling project.
- Supported the annual tradition of Downtown Cadillac Association's Storybook Christmas and continue to support other groups such as the local student organization.

RENOVATION PROJECT AT MERCY HOSPITAL

AVON PROTECTION

MERCY HOSPITAL THANKS AVON PROTECTION SYSTEMS

Thanks to generous donors like Avon Protection Systems, construction of the Surgical Services Addition and Renovation Project is now underway at Mercy Hospital. State-of-the-art surgical facilities will enhance medical care for more than 60,000 members of the Cadillac community who rely on Mercy's Surgical Services Department each year. Thank you Avon Protection Systems for your gift and for making a difference in our community.

MERCY HOSPITAL CADILLAC
Partnering with MUNSON HEALTHCARE
Caring for Our Community

FOCUS ON THE UK

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. The Community Foundation celebrated 20 years of supporting the voluntary sector this year and Avon's fund provided grants to:

- HELP Counselling - a volunteer counselling service taking referrals from social workers and doctors to help clients suffering long and short term problems including bereavement and cancer.
- Westbury Rugby Football Club – runs workshops for young people on nutrition, cooking, alcohol awareness and paediatric first aid courses for parents. They aim to offer invaluable knowledge of healthy eating, healthy lifestyles and social skills to the large surrounding rural catchment area.
- Wiltshire Music Centre – hold workshops with schools for young disabled students and have an education centre where they hold programmes including engaging disabled people through creating and composing music or receiving music therapy.
- ASK – a group supporting parents and carers of young people, many of whom suffer isolation, abuse and poverty. Our donation will help pay for a coordinator, who will be key in attracting the quality of volunteers needed for the sensitive work they do and opening up more avenues for carers to gain access to the services they offer.
- Trowbridge Rangers FC – a youth football club holding weekly training sessions and matches along with fundraising events. They aim to keep youngsters occupied and engaged in sport and activities with a view to reducing anti-social behaviour. Our donation will help train coaches to the required standards and help with the purchase of equipment.
- We continued our support of Dorothy House Hospice Care by taking part in a boat race organised through the Rotary Club. The Avon team wore Avon masks and raised money whilst having lots of fun in the race.

The Community Foundation for Wiltshire & Swindon

DOROTHY HOUSE Hospice Care

OUR EMPLOYEES RACE WEARING AVON FM12 MASKS FOR HOSPICE CHARITY

AVON PROTECTION

DRAGON BOAT FUNDRAISER

A team of 16 UK employees kitted themselves with FM12 masks to take part in a charity Dragon Boat race on the River Avon. They raised hundreds of pounds while entertaining all their sponsors in a fund raising exercise for Dorothy House Hospice charity. Dorothy House, based in Wiltshire, Bath and Bristol, gives free high-quality care and support to both patients and their families facing life-threatening illness, death or bereavement.

Miles Ingrey-Counter
Company Secretary
23 November 2011

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (2010)

The Company believes in high standards of corporate governance and the Board is accountable to shareholders for the Group's performance in this area. This statement describes how the Group is applying the relevant principles of governance, as set out in the UK Corporate Governance Code (2010) ('the Code') which is available on the website of the Financial Reporting Council ('FRC'). The Company is applying the May 2010 version of the Code for the financial year commencing 1 October 2010.

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 on page 34) the Company met the requirements of the Code throughout the year ended 30 September 2011. 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 36 to 43.

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

LEADERSHIP AND EFFECTIVENESS

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

Biographies of the Directors appear on page 21. These illustrate the range of business and financial experience which the Board is able to call upon. The intention of the Board is that its membership should be well balanced between executives and non-executives and have the appropriate skills and experience. The special position and role of the Chairman under the Code is recognised by the Board and a written statement of the division of responsibilities of the Chairman and Chief Executive has been agreed by the Board. The Chairman is responsible for the leadership of the Board and 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, in developing and implementing business strategy.

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

An annual performance evaluation was undertaken by the Board during the year. The Chairman acted as the sponsor of the evaluation process and each Director was required to score a questionnaire for review by the Board and appropriate Committees. The Company Secretary acted as facilitator to the Board and issues arising from the process were incorporated into the Board's business as appropriate. Within the evaluation exercise, the Board addressed three key areas: the extent to which the Board focuses on the right issues, interacts effectively and has the right mechanics in place. Mrs. Pirie, the Senior Independent Director, and Mr. Evans conducted a performance evaluation of the Chairman, taking into account the views of the Executive Directors. The evaluation concluded that the Board operates well and the Board Committees operate effectively. The discussions led to the Board scheduling an annual review of the nature of the risks facing the Group and the more detailed monitoring of investor feedback.

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 is regularly reviewed and includes appropriate strategic, financial, organisational and compliance issues, embracing 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 approval of the annual operating budget and the three year plan, the extension of the Group's activities into new business and geographic

areas (or their cessation), changes to the corporate or capital structure, financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees, changes to the constitution of the Board, and the approval of significant contracts, for example the acquisition or disposal of assets worth more than £1,000,000 or the exposure of the Company or the Group to a risk greater than £1,000,000.

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

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

The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance related benefits, for Executive Directors and other senior executives. The Chief Executive and the Company Secretary attend meetings of the Committee by invitation, but are absent when issues relating to each of them are discussed.

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

The Committee met during the year to discuss and approve the appointment of Mr. Evans as successor to Sir Richard Needham as Chairman of the Board. It was determined that Mr. Evans' skills and experience were well suited to the role and it was unlikely that a more suitable candidate would be found by conducting an external search or undertaking open advertising. During all discussions of the Chairman's succession the Nominations Committee was chaired by Mrs. Pirie.

The Audit Committee meets three times a year. The meetings are also attended by the Executive Directors and usually by representatives of the Group's external auditors. At meetings attended by the external auditors time is allowed for the Audit Committee to discuss issues with the external auditors 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. As well as reviewing draft preliminary and interim statements, the Committee reviews significant financial reporting judgements contained in formal announcements by the Company.

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

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

PricewaterhouseCoopers LLP have been the Company's external auditors for a number of years. In order to ensure the independence and objectivity of the external auditors the Committee maintains and regularly reviews its Auditor Independence Policy. This policy provides clear definitions of services that the external auditors can and cannot provide. They may only provide non-audit services where those services do not conflict with their independence, for example tax compliance work. A formal authorisation policy is in place for the provision of non-audit services to ensure that appropriate pre-approval is obtained as necessary. The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor. To ensure compliance with this policy the Audit Committee carried out a review during the year of the remuneration received by PricewaterhouseCoopers LLP for audit services, audit-related services and non-audit work. These reviews ensure a balance of objectivity, value for money and compliance with this policy. The outcome of these reviews was that no conflicts of interest existed between such audit and non-audit work.

During the year the Audit Committee considered the effect of the claim for compensation against Pricewaterhouse Coopers LLP in relation to tax services as referred to in Note 4 to the Group Financial Statements. The Committee concluded that it did not affect the Group Auditor's objectivity or impartiality.

As part of its work, and in line with its terms of reference, the Committee particularly considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Turnbull Guidance.

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

Meetings during year ended 30 September 2011

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

* Attendance by invitation

The Board schedules 8 meetings per year. This year 5 further meetings have been held on an ad hoc basis, including by telephone conference, for example in connection with amendments to banking facilities, filter pricing and internal transactions. In addition, between them, the three Non-Executive Directors visited the Johnson Creek, Cadillac and Belcamp facilities accompanied by the Chief Executive and the Group Finance Director to meet management at these sites and receive presentations from them.

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

RELATIONS WITH SHAREHOLDERS

The Directors regard communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware. In terms of published materials the Company issues a detailed annual report and accounts and, at the half year, an interim report. Further to the Transparency Directive, which has been implemented by the FSA through amendments to the Listing and Disclosure Rules, interim management statements have been issued during the year, together with a number of other event updates. Dialogue takes place regularly with institutional shareholders and general presentations are given following the preliminary and interim results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and 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 for the responses of the Directors. The Directors meet informally with shareholders after the annual general meeting and respond throughout the year to correspondence from individual shareholders on a wide range of issues. Annual general meetings provide a venue for the shareholders to meet the Non-Executive Directors in addition to any other meetings shareholders may request.

The Non-Executive Directors, having considered the Code with regard to relations with shareholders, are of the view that it is most appropriate for the shareholders to have regular dialogue with the Executive Directors. The results of all dialogue with shareholders are reviewed by the Senior Independent Non-Exective 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 2 February 2012, the Board will be following the recommendations in the Code regarding the constructive use of annual general meetings; as usual, the agenda will include a presentation by the Chief Executive on aspects of the Group's business.

ACCOUNTABILITY

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 keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

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

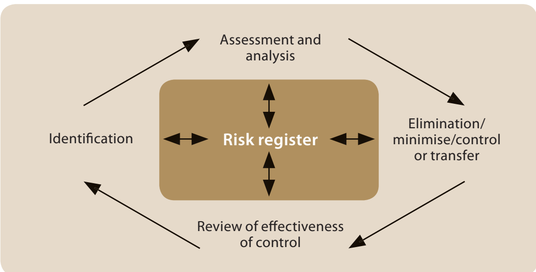
The Board believes it is appropriate that the internal audit process is undertaken by members of the finance team who conduct financial reviews of each of the sites on a quarterly basis and through a regular site visit. In addition, site controllers and plant managers are obliged to positively confirm,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

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 Business Review on page 19.

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

The Board carried out quarterly reviews of the key risks facing the Group during the year, following the quarterly reviews conducted by the executive management team. The Board also carried out an annual review of the major business risks affecting the Group. 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 financial information including the production of consolidated annual accounts. This department is supported by the operational finance managers throughout the Group, who have the responsibility and accountability for providing information in compliance with the Internal Control Manual which set out policies, procedures and internal best practices.

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

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year with management, and on two occasions, external auditors to review specific accounting, reporting and financial control matters. This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

DISCLOSURE AND TRANSPARENCY RULES

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on page 22 and have been included by reference.

GOING CONCERN

Having considered the Group's funding position, budget for 2012 and three year plan, 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
23 November 2011

Part 1 of this Report sets out the Company's remuneration policies for the Directors for the year ended 30 September 2011. These policies are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed appropriately. Part 2 sets out audited details of the remuneration received by Directors during the year ended 30 September 2011.

PART I. REMUNERATION POLICIES (NOT SUBJECT TO AUDIT)

EXECUTIVE DIRECTORS

REMUNERATION COMMITTEE

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

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

GUIDING POLICY

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

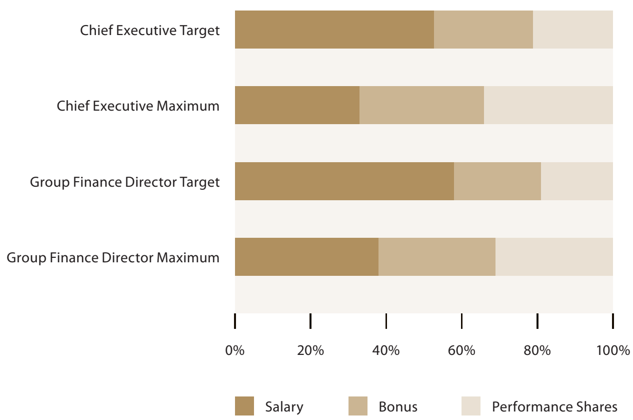
The Company's guiding policy on executive remuneration is that:

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

REMUNERATION ELEMENTS

Executive remuneration comprises four elements: annual salary, short-term bonus, longer-term performance shares and other benefits (including pension). In line with the Company's emphasis on performance-related pay, bonus payments are dependent on the Company's annual financial performance, and, to a small degree the executive's personal performance against a set of personal performance targets, while the receipt of performance shares is dependent on enhanced relative returns to shareholders over a three-year period. The following table illustrates the proportion of variable pay to base salary for the Chief Executive and the Group Finance Director for 2011/12, assuming target or maximum performance related pay.

Proportion of performance related pay to salary:



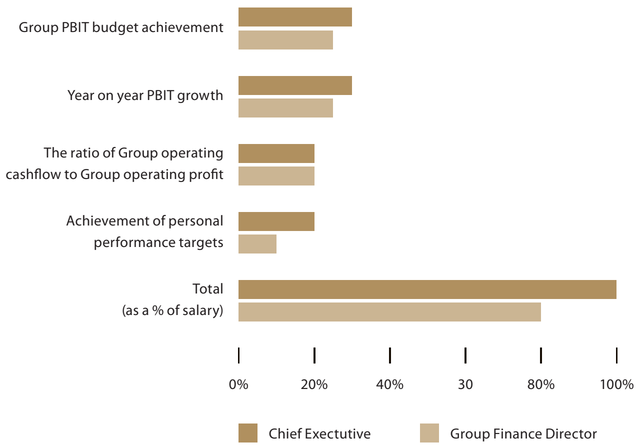
SALARY

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

The annual base salary as at 30 September 2011 for Mr. P.C.Slabbert is £235,000 and for Mr. A.G.Lewis is £162,000.

ANNUAL BONUS

The executives' annual bonus arrangements are focused on the achievement of the Company's short-term financial objectives. Before the start of each year, the Remuneration Committee sets financial performance targets for the year. These are designed to be stretching and for the bonus for 2011/12 will be based on the following:



The maximum bonus potential for 2011/12 under these arrangements is 100% of salary for the Chief Executive and 80% of salary for the Group Finance Director. Bonus payments are not pensionable.

PERFORMANCE SHARE PLAN (PSP)

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

Under the Plan, Executive Directors and a limited number of other senior executives receive conditional share awards (which may be in the form of joint ownership awards, nil-cost options or conditional awards) in respect of the Company's shares. The actual number of shares that each participant receives depends on the Company's TSR performance over a three-year period compared to the TSR performance within a comparator group comprising the FTSE Small Cap index, excluding investment trusts. Over a three year period:

- If the Company's TSR performance is below the median TSR of the comparator group, no shares will vest.
- If the Company's TSR performance is equal to the median TSR of the comparator group, 40% of the shares may vest.
- If the Company's TSR performance is equal to, or exceeds, the upper quartile TSR of the comparator group, 100% of the shares may vest.
- If the Company's TSR performance is between the median and upper quartile TSR of the comparator group, shares may vest on a pro-rata basis.

The above schedule reflects the Remuneration Committee's intention to reward only TSR performance which outperforms the comparator group and the same measures are used for the 2010 Plan. In addition, the Committee may reduce the number of shares which will vest or decide that no shares will vest if it considers that the financial performance of the Company or the performance of the participant does not justify vesting.

In September 2011 the Remuneration Committee agreed two changes to the Plan's performance condition for future awards. First, the percentage volume of shares that vests if the Company's TSR performance is equal to the median TSR of the comparator group was reduced from 40% to 30%. Second, the performance condition was changed to a two fold test based on TSR performance and Earnings Per Share ('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 precise terms of the combined EPS/TSR target is that awards will be split so that 50% vests in accordance with the TSR target and 50% in accordance with the EPS target. The TSR target will remain as it is currently (with the above change so that 30% vests at median performance). The EPS target would be based on real growth in earnings over the performance period where real growth is expressed as a percentage above inflation. PIRC UK Shareholder Voting Guidelines 2011 state that the minimum acceptable EPS target would be 3% a year above inflation, but that institutional shareholders generally expect the EPS target to be linked to current broker forecasts of EPS growth with vesting occurring if actual growth exceeded those forecasts. The Committee therefore set the EPS target as nil vesting at RPI +3% and maximum vesting at RPI +8%.

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

As announced to shareholders in December 2010 joint ownership awards, nil cost options and conditional awards of shares were granted under the 2010 Plan to the Executive Directors and members of the group executive team.

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

PERFORMANCE GRAPH

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

SHAREHOLDING GUIDELINES

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

In September 2011 the Remuneration Committee amended the shareholding guidelines so that the Executive Directors are obliged to build up and retain a shareholding equivalent to 2 times base salary.

DILUTION

The Company reviews the awards of shares made under the various all-employee and executive share plans in terms of their effect on dilution limits. In respect of the 5% and 10% limits recommended by the Association of British Insurers, the relevant percentages were 7.16% and 9.27% respectively based on the issued share capital at 30 September 2011. Under the 2010 Plan the 5% limit was increased to 10%. It has been the Company's practice to use an Employee Share Ownership Trust in order to meet its liability for shares awarded under the Performance Share Plan. In March 2010 a second Employee Share Ownership Trust was established in connection with the new jointly owned equity awards. At 30 September 2011 there were 2,537,681 shares held in the two Employee Share Ownership Trusts which will either be used to satisfy awards granted under the Plans to date, or in connection with awards to be made under the 2010 Plan. A Hedging Committee ensures that the Employee Share Ownership Trusts hold sufficient shares to satisfy existing and future awards made under the Plan by buying shares in the market or causing the Company to issue new shares. In August 2011 the Avon Rubber p.l.c. Employee Share Ownership Trust No. 1 purchased 100,000 shares in the market. As at 30 September 2011 the two Employee Share Owneship Trusts held a total of 2,537,681 shares, 899,070 on a jointly owned equity basis.

PENSIONS AND OTHER BENEFITS

The current Executive Directors (Mr. P.C. Slabbert and Mr. A.G. Lewis) are both based in the UK and are members of the Avon Rubber Retirement and Death Benefits Plan. Until 30 September 2009, when the final salary section of the Plan closed to future accrual of benefits, Mr. Slabbert was a member of the Senior Executive Section which provided members with a defined level of benefit on retirement depending on length of service and earnings. Members can receive a pension of up to two-thirds of pensionable salary on retirement from age 60, provided the minimum service requirement of 20 years has been met. On death in service, a lump sum of four times pensionable salary is paid, along with a spouse's pension of one half of the member's prospective pension. When an Executive Director dies after retirement, a spouse's pension of one half of the member's pension is paid. For the years to 30 September 2010 and 30 September 2011 Mr. Slabbert has been a member of the money purchase section of the Plan (see below).

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

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

Executive Directors' basic salaries are the only pensionable element of their remuneration packages. Executive Directors are entitled to participate in employee healthcare plans.

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

CONTRACTS

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

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

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

	Contract date	Years to expected retirement	Company notice period	Executive notice period
P.C. Slabbert	28 September 2009	11	12 months	12 months
A.G. Lewis	28 September 2009	25	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 advice provided by Ernst & Young LLP. Fee levels are reviewed from time to time. The Chairman and the Non-Executive Directors do not participate in any Board discussions or vote on their own remuneration, nor do they participate in any incentive or benefit plans.

The Chairman and the Non-Executive Directors each have a letter of appointment which specifies an initial period of appointment. The initial period for Mrs. Pirie was three years and this was extended for a further three years on 1 March 2008 and on a rolling annual basis on 1 March 2011. Sir Richard Needham's initial period of three years expired on 26 January 2010 and was extended on a rolling annual basis. The initial period for Mr. Evans was also three years and this was extended on a rolling annual basis on 31 May 2010.

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

	Date of initial appointment	Date of re-election
The Rt. Hon. Sir Richard Needham	26 January 2007	2 March 2010
D.R. Evans	1 June 2007	3 March 2011
S.J. Pirie OBE	1 March 2005	21 January 2009

DIRECTORS' INTERESTS

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

	At the end of the year	At the beginning of the year
The Rt. Hon. Sir Richard Needham	65,900	98,046
S.J. Pirie OBE	82,000	82,000
D.R. Evans	40,000	40,000
P.C. Slabbert	22,833	22,833
A.G. Lewis	-	-

Interests in jointly owned shares held by the Executive Directors under The Performance Share Plan 2010 are excluded from the above and detailed separately at page 42 of the Remuneration Report.

There has been no change in the interests set out above between 30 September 2011 and 23 November 2011.

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

PART 2. DETAILS OF REMUNERATION (AUDITABLE INFORMATION)

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

Directors' emoluments

	Basic salary and fees £000	Other benefits* £000	Annual bonus** £000	**Total 2011 £000**	Total 2010 £000
Directors holding office throughout 2010 and 2011					
The Rt. Hon. Sir Richard Needham (Chairman)	70	-	-	**70**	70
D.R. Evans (Non-Executive)	45	-	-	**45**	44
A.G. Lewis	162	2	82	**246**	247
S.J. Pirie OBE (Non-Executive)	45	-	-	**45**	44
P.C. Slabbert (highest paid Director)	235	2	132	**369**	395
Total 2011	557	4	214	**775**	
Total 2010	523	32	245		800

*Other benefits relate to private medical insurance.

**The Remuneration Committee determined at its meeting on 22 November 2011 that the criteria for making an award under the annual bonus scheme had been met. The sums referred to represent 74% of the maximum potential entitlement.

No Director waived emoluments in respect of the year ended 30 September 2011 (2010: nil).

Executive Directors' pensions

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

	P.C. Slabbert £
Additional accrued pension earned in year (including inflation)	-
Accrued pension as at 30 September 2011	62,603
Transfer value as at 30 September 2011	944,132
Accrued pension as at 30 September 2010	60,721
Transfer value as at 30 September 2010	831,923
Increase in transfer value	112,209
Increase in transfer value less directors contributions	112,209
Additional accrued pension earned in year (excluding inflation of 5.0%)	-
Transfer value of increase in accrued pension (net of directors contributions)	-

The age at which Mr. P.C. Slabbert may take his pension unreduced was reduced by 5/8ths of a year over the year to 30 September 2011.

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 £35,300 (2010: £33,000), of which £5,900 (2010: £5,500) were to the money purchase section of the Plan.

In respect of Mr. A.G. Lewis, company contributions to the money purchase section of the Plan were £24,300 (2010: £21,700).

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 2011 was £292,400 (2010: £281,400).

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

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

In September 2011 the Remuneration Committee agreed two changes to the Plan's performance condition for future awards. First, the percentage of shares that vest if the Company's TSR performance is equal to the median TSR of the comparator group was reduced from 40% to 30%. Second, the performance condition was changed to a two fold test based on TSR performance and Earnings Per Share (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 precise terms of the combined EPS/TSR target is that awards will be split so that 50% vests in accordance with the TSR target and 50% in accordance with the EPS target. The TSR target will remain as it is currently (with the above change so that 30% vests at median performance). The EPS target would be based on real growth in earnings over the performance period where real growth is expressed as a % above inflation. PIRC UK Shareholder Voting Guidelines 2011 state that the minimum acceptable EPS target would be 3 per cent a year above inflation, but that institutional shareholders generally expect the EPS target to be linked to current broker forecasts of EPS growth with vesting occurring if actual growth exceeded those forecasts. The Committee therefore set the EPS target as nil vesting at RPI +3% and maximum vesting at RPI +8%.

A list of the number of shares under option granted at nil cost, to Executive Directors and senior employees, prior to 30 September 2011 including following approval of the 2010 Scheme by shareholders is set out below:

2011	Granted 2007/8 (for the qualifying period ending 30 Sept 2010)*	Granted 2008/9 (for the qualifying period ending 30 Sept 2011)**	Granted 2009/10 (for the qualifying period ending 30 Sept 2012)	Total option awards outstanding at 30 Sept 2010	Granted 2010/11 (for the qualifying period ending 30 Sept 2013)	Lapsed during the year	**Awards outstanding at 30 Sept 2011**
P.C. Slabbert	-	460,714	230,126	690,840	123,424	-	**814,264**
A.G. Lewis	-	222,857	112,971	335,828	68,067	-	**403,895**
Former Directors***	26,302	-	-	26,302	-	(26,302)	**-**
Other senior employees****	27,223	541,776	336,973	905,972	276,804	(27,223)	**1,155,553**
	53,525	1,225,347	680,070	1,958,942	468,295	(53,525)	**2,373,712**

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

The weighted average remaining life of the awards outstanding at the year end is 0.8 years (2010: 1.4 years).

*As explained in last year's report the awards granted under the 2006/7 and the 2007/8 cycle did not vest.

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

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

****This figure includes 334,440 (2010: 878,749) in respect of key management as defined in note 8 of the financial statements.

In relation to the awards outstanding at 30 September 2011, deferred payments will become due to the Employee Share Ownership Trust (ESOT) for the awards granted in 2009/10 and 2010/11 as follows: P.C.Slabbert £31,868, A.G.Lewis £16,641 and other senior UK employees £33,977.

The market price at the award date for the 2010/11 award was 196.0 pence, for the 2009/10 award it was 81.5 pence, for the 2008/9 award it was 32.2 pence, for the 2007/8 award it was 165.0 pence and for the 2006/7 award it was 154.0 pence.

Sharesave option schemes

As at 30 September 2011 none of the Directors had outstanding options relating to sharesave option schemes (2010: nil). As at 30 September 2011 there were no outstanding options under the Avon Rubber plc Sharesave Option Scheme 2002 (the only remaining sharesave scheme) and this scheme will terminate on its 10 year anniversary on 4 February 2012.

As at 30 September 2011, the market price of Avon Rubber p.l.c. shares was £2.85 (2010: £1.65). During the year the highest and lowest market prices were £3.24 and £1.62 respectively.

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

David Evans
Chairman of the Remuneration Committee
23 November 2011

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Revenue	1	**107,600**	117,574
Cost of sales		**(77,892)**	(89,256)
Gross profit		**29,708**	28,318
Distribution costs		**(4,832)**	(4,527)
Administrative expenses		**(13,740)**	(14,536)
Operating profit	1	**11,136**	9,255
Operating profit is analysed as:			
Before depreciation and amortisation		**15,723**	13,577
Depreciation and amortisation	10,11	**(4,587)**	(4,322)
Operating profit		**11,136**	9,255
Finance income	3	**5**	16
Finance costs	3	**(486)**	(985)
Other finance expense	3	**(443)**	(1,152)
Profit before taxation	4	**10,212**	7,134
Taxation	5	**(3,094)**	(2,808)
Profit for the year		**7,118**	4,326
Other comprehensive income			
Actuarial gain recognised in retirement benefit scheme	9	**5,738**	2,315
Net exchange differences offset in reserves		**358**	28
Other comprehensive income for the year, net of taxation		**6,096**	2,343
Total comprehensive income for the year		**13,214**	6,669
Earnings per share	7		
Basic		**25.2p**	15.2p
Diluted		**23.3p**	14.4p

Consolidated Balance Sheet

at 30 September 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Intangible assets	10	**10,469**	8,794
Property, plant and equipment	11	**16,718**	16,968
Retirement benefit assets	9	**280**	-
		27,467	25,762
Current assets			
Inventories	12	**10,679**	11,525
Trade and other receivables	13	**18,461**	14,540
Derivative financial instruments	18	**-**	113
Cash and cash equivalents	14	**559**	577
		29,699	26,755
Liabilities			
Current liabilities			
Borrowings	16	**392**	-
Trade and other payables	15	**15,220**	15,664
Derivative financial instruments	18	**166**	-
Provisions for liabilities and charges	17	**567**	1,622
Current tax liabilities		**2,040**	886
		18,385	18,172
Net current assets		**11,314**	8,583
Non-current liabilities			
Borrowings	16	**11,983**	13,166
Deferred tax liabilities	5	**2,985**	2,517
Retirement benefit obligations	9	**-**	7,134
Provisions for liabilities and charges	17	**2,641**	2,751
		17,609	25,568
Net assets		**21,172**	8,777
Shareholders' equity			
Ordinary shares	19	**30,723**	30,723
Share premium account		**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**365**	7
Accumulated losses		**(45,124)**	(57,161)
Total equity		**21,172**	8,777

These financial statements were approved by the Board on 23 November 2011 and were signed on its behalf by:

Peter Slabbert

Andrew Lewis

Consolidated Cash Flow Statement

for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated from continuing operating activities prior to the effect of exceptional items		**11,974**	13,586
Cash effect of exceptional items	20	**-**	(1,186)
Cash generated from continuing operations	20	**11,974**	12,400
Cash used in discontinued operations	20	**(1,557)**	(2,052)
Cash generated from operations	20	**10,417**	10,348
Finance income received		**5**	16
Finance costs paid		**(476)**	(768)
Retirement benefit deficit recovery contributions		**(869)**	(481)
Tax paid		**(1,542)**	(1,787)
Net cash generated from operating activities		**7,535**	7,328
Cash flows from investing activities			
Acquisition of subsidiaries – deferred consideration		**-**	(1,291)
Proceeds from sale of property, plant and equipment		**17**	1,668
Purchase of property, plant and equipment		**(2,406)**	(5,384)
Purchase of intangible assets		**(3,266)**	(645)
Net cash used in investing activities		**(5,655)**	(5,652)
Cash flows from financing activities			
Net movements in loans		**(1,334)**	612
Dividends paid to shareholders	6	**(706)**	-
Dividends paid to non-controlling interest		**-**	(298)
Purchase of own shares		**(250)**	(267)
Net cash (used in)/generated from financing activities		**(2,290)**	47
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(410)**	1,723
Cash, cash equivalents and bank overdrafts at beginning of the year		**577**	(1,090)
Effects of exchange rate changes		**-**	(56)
Cash, cash equivalents and bank overdrafts at end of the year	21	**167**	577

Consolidated Statement of Changes in Equity

for the year ended 30 September 2011

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Shareholders' equity £'000	Non-controlling interest in equity £'000	Total £'000
At 1 October 2009		29,141	34,708	479	(62,103)	2,225	39	2,264
Profit for the year		-	-	-	4,326	4,326	-	4,326
Unrealised exchange differences on overseas investments		-	-	28	-	28	-	28
Actuarial gain recognised in retirement benefit scheme	9	-	-	-	2,315	2,315	-	2,315
Total comprehensive income for the year		-	-	28	6,641	6,669	-	6,669
New shares issued	19	1,582	-	-	-	1,582	-	1,582
Dividend paid to non-controlling interest		-	-	-	-	-	(39)	(39)
Purchase of shares by the employee benefit trust	19	-	-	-	(1,849)	(1,849)	-	(1,849)
Movement in respect of employee share schemes	23	-	-	-	150	150	-	150
At 30 September 2010		30,723	34,708	507	(57,161)	8,777	-	8,777
Profit for the year		**-**	**-**	**-**	**7,118**	**7,118**	**-**	**7,118**
Unrealised exchange differences on overseas investments		**-**	**-**	**358**	**-**	**358**	**-**	**358**
Actuarial gain recognised in retirement benefit scheme	9	**-**	**-**	**-**	**5,738**	**5,738**	**-**	**5,738**
Total comprehensive income for the year		**-**	-	**358**	**12,856**	**13,214**	**-**	**13,214**
Dividends paid	6	**-**	**-**	**-**	**(706)**	**(706)**	**-**	**(706)**
Purchase of shares by the employee benefit trust	19	**-**	**-**	**-**	**(250)**	**(250)**	**-**	**(250)**
Movement in respect of employee share schemes	23	**-**	**-**	**-**	**137**	**137**	**-**	**137**
At 30 September 2011		**30,723**	**34,708**	**865**	**(45,124)**	**21,172**	**-**	**21,172**

Other reserves consist of the capital redemption reserve of £500,000 (2010: £500,000) and the translation reserve of £365,000 (2010 £7,000). All movement in other reserves relate to the translation reserve.

Accounting Policies and Critical Accounting Judgements

for the year ended 30 September 2011

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 (IFRS) 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). The Group's approach to these is as follows:

(a) Standards, amendments and interpretations effective in 2011

The following standards, amendments and interpretations have been adopted for the year ended 30 September 2011:

- Amendments to IFRS 2, 'Share based payment – group cash-settled share-based payment transactions'
- Annual improvements 2009

The adoption of these amendments has not had a material impact on the financial statements.

The following standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 October 2010 but are not relevant to the Group's operations, or have no significant impact:

- Amendment to IFRS 1, 'Additional exemptions for first time adopters'
- Amendment to IFRS 1, 'Limited exemption from comparative IFRS 7 disclosures for first time adopters'
- Amendment to IAS 32, 'Classification of rights issues'
- IFRIC 15, 'Arrangements for construction of real estates'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2010 and have not been adopted early:

- IAS 24 (revised), 'Related party disclosures'
- Annual improvements 2010
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement'
- IFRS 9, 'Financial Instruments'

Basis of consolidation

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

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

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

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

Foreign currencies

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

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average rates and all resulting exchange differences are recognised as a separate component of equity.

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

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

Revenue

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

Segment reporting

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

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur, as part of other comprehensive income. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. The scheme was closed to new entrants on 1 February 2003 and was closed to future accrual of benefit from 1 October 2009.

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

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-marketing 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

In accordance with IAS 38 "Intangible Assets", expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility, is capitalised and amortised over the expected useful life of the development. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the year sales of the product are first made. Development costs capitalised are tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the consolidated statement of comprehensive income.

Computer software

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

Property plant and equipment

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

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

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

In general, the rates used are:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if 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 equivalents
Cash and cash equivalents include cash at bank and in hand 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 Company has a legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

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

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

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

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

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

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

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

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

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

Share Capital
Ordinary shares are classified as equity.

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

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

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost.

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 Trustee at intervals of not more than three years.

The pension cost under IAS 19 is assessed in accordance with the advice of an independent qualified actuary based on the latest actuarial valuation and assumptions determined by the actuary. The assumptions are based on information supplied to the actuary by the Group, supplemented by discussions between the actuary and management. The assumptions are disclosed in note 9 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 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.

Notes to the Group Financial Statements

for the year ended 30 September 2011

1 SEGMENT INFORMATION

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

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

Business segments

year ended 30 September 2011

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	77,438	30,162		107,600
Segment result before depreciation and amortisation	11,630	5,911	(1,818)	15,723
Depreciation of property, plant and equipment	(2,396)	(387)	(33)	(2,816)
Amortisation of intangibles	(1,741)	(28)	(2)	(1,771)
Segment result	7,493	5,496	(1,853)	11,136
Finance income			5	5
Finance cost			(486)	(486)
Other finance expense			(443)	(443)
Profit before taxation	7,493	5,496	(2,777)	10,212
Taxation			(3,094)	(3,094)
Profit for the year	7,493	5,496	(5,871)	7,118
Segment assets	47,191	7,456	2,519	57,166
Segment liabilities	7,324	3,346	25,324	35,994
Other segment items				
Capital expenditure				
- intangible assets	3,310	41	-	3,351
- property, plant and equipment	1,602	828	26	2,456

The Protection & Defence segment includes £46.1m (2010: £45.8m) 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 2010

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

Geographical segments by origin

year ended 30 September 2011

	UK £'000	**USA £'000**	**Group £'000**
Revenue	**14,847**	**92,753**	**107,600**
Non-current assets	**2,611**	**24,856**	**27,467**

year ended 30 September 2010

	UK £'000	USA £'000	Group £'000
Revenue	15,141	102,433	117,574
Non-current assets	3,600	22,162	25,762

2 EXPENSES BY NATURE

	2011 £'000	2010 £'000
Changes in inventories of finished goods and work in progress	**600**	1,008
Raw materials and consumables used	**48,839**	60,744
Employee benefit expense (note 8)	**29,627**	28,698
Depreciation and amortisation charges (notes 10 and 11)	**4,587**	4,322
Transportation expenses	**1,578**	1,430
Operating lease payments (note 22)	**1,654**	1,853
Travelling costs	**1,860**	1,947
Legal and professional fees	**1,015**	1,726
Other expenses	**6,704**	6,591
Total cost of sales, distribution costs and administrative expenses	**96,464**	108,319

3 FINANCE INCOME AND COSTS

	2011 £'000	2010 £'000
Interest payable on bank loans and overdrafts	**(486)**	(932)
Other finance costs	**-**	(53)
Total finance costs	**(486)**	(985)
Finance income	**5**	16
	(481)	(969)

Other finance expense

	2011 £'000	2010 £'000
Interest cost: UK defined benefit pension scheme	**(13,277)**	(13,937)
Expected return on plan assets: UK defined benefit pension scheme	**13,226**	13,242
Other finance cost	**-**	(16)
Provisions: Unwinding of discount	**(392)**	(441)
	(443)	(1,152)

4 PROFIT BEFORE TAXATION

	2011 £'000	2010 £'000
Profit before taxation is shown after crediting:		
Rent receivable	**109**	104
Gain on foreign exchange	**90**	119
Profit on disposal of property, plant and equipment	**1**	1
Writeback of impairment of inventories	**83**	-
Writeback of impairment of trade receivables	**15**	-
and after charging:		
Employee benefits	**29,490**	28,548
Charge relating to employee share schemes	**137**	150
Depreciation on property, plant and equipment (owned assets)	**2,816**	2,422
Repairs and maintenance of property, plant and equipment	**730**	247
Amortisation of intangibles	**1,771**	1,900
Research and development	**1,723**	484
Impairment of inventories	**-**	239
Impairment of trade receivables	**-**	65
Operating leases		
– plant and machinery	**124**	139
– property	**1,530**	1,714
Services provided to the Group (including its overseas subsidiaries) by the Group's auditors		
Audit fees in respect of the audit of the accounts of the parent company and consolidation	**30**	35
Audit fees in respect of the audit of the accounts of subsidiaries of the company	**83**	90
	113	125
Other services relating to taxation	**234**	133
Compensation received regarding taxation services	**(313)**	-
Other business advisory services	**74**	-
Total fees	**108**	258

During the year £313,000 was received from the Group's auditors in relation to a claim for compensation regarding taxation services provided in the US for previous years.

5 TAXATION

	2011 £'000	2010 £'000
Overseas current tax	**2,268**	2,031
Overseas adjustment in respect of previous periods	**365**	11
Total current tax	**2,633**	2,042
Deferred tax – current year	**267**	777
Deferred tax – adjustment in respect of previous periods	**194**	(11)
Total deferred tax	**461**	766
Total tax charge	**3,094**	2,808

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:

	2011 £'000	2010 £'000
Profit before taxation	**10,212**	7,134
Profit before taxation at the average standard rate of 27% (2010: 28%)	**2,757**	1,998
Permanent differences	**(573)**	12
Losses for which no deferred taxation asset was recognised	**(64)**	478
Adjustments to taxation charge in respect of previous periods	**559**	-
Differences in overseas tax rates	**415**	320
Tax charge	**3,094**	2,808

The income tax charged directly to equity during the year was £nil (2010: £nil).

5 TAXATION (CONTINUED)

Deferred tax liabilities	Accelerated capital allowances £'000	Other temporary differences £'000	Total £'000
At 1 October 2009	1,223	610	1,833
(Credited)/charged against profit for the year	(304)	1,070	766
Reclassification of assets previously shown as assets held for sale	-	(34)	(34)
Exchange differences	(48)	-	(48)
At 30 September 2010	871	1,646	2,517
Charged/(credited) against profit for the year	**1,953**	**(1,492)**	**461**
Exchange differences	**7**	**-**	**7**
At 30 September 2011	**2,831**	**154**	**2,985**

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.

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement. The Finance (No3) Act 2011, which was substantively enacted on 29 March 2011, includes legislation reducing the main rate of corporation tax to 26% from 1 April 2011.

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

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 which are expected to be enacted separately each year. The changes had not been substantively enacted at the balance sheet date and, therefore any impacts arising are not included in these financial statements. The overall effect of the further changes from 26% to 23% are not expected to have any material impact on the Group's deferred tax assets and liabilities as the Group's defered tax liabilities are held in the USA.

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

	2011 £'000	2010 £'000
Losses	**(4,990)**	(6,529)
Accelerated capital allowances	**(1,727)**	(1,753)
Retirement benefit obligations	**-**	(2,076)
Other	**(1,966)**	(867)
	(8,683)	(11,225)

6 DIVIDENDS

On 3 March 2011, the shareholders approved a final dividend of 1.5p per qualifying ordinary share in respect of the year ended 30 September 2010. This was paid on 8 April 2011 absorbing £424,000 of shareholders' funds. No interim dividend was paid in the prior year.

On 20 April 2011, the Board of Directors approved an interim dividend of 1.0p per qualifying ordinary share in respect of the year ended 30 September 2011. This was paid on 8 September 2011 absorbing £282,000 of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.0p per qualifying ordinary share in respect of the year ended 30 September 2011, which will absorb an estimated £588,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 9 March 2012 to shareholders on the register at the close of business on 10 February 2012. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

7 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 42). Adjusted earnings per share adds back to profit the effect of the amortisation of intangible assets.

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

	2011	2010
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**28,270**	28,460
Potentially dilutive shares (weighted average) (thousands)	**2,320**	1,659
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,590**	30,119

	2011 £'000	**2011 Basic eps pence**	**2011 Diluted eps pence**	2010 £'000	2010 Basic eps pence	2010 Diluted eps pence
Profit attributable to equity shareholders of the Company	**7,118**	**25.2**	**23.3**	4,326	15.2	14.4
Amortisation of intangible assets	**1,771**			1,900		
Profit excluding amortisation of intangible assets	**8,889**	**31.4**	**29.1**	6,226	21.9	20.7

8 EMPLOYEES

The total remuneration and associated costs during the year were:

	2011 £'000	2010 £'000
Wages and salaries	**22,982**	22,550
Social security costs	**2,277**	1,925
Other pension costs	**1,493**	1,103
USA healthcare costs	**2,738**	2,970
Share award costs	**137**	150
	29,627	28,698

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

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

	2011 Number	2010 Number
By business segment		
Protection & Defence	**572**	549
Dairy	**168**	161
Other	**10**	9
Total	**750**	719

At the end of the financial year the total number of employees in the Group was 679 (2010:771).

Key management compensation	2011 £'000	2010 £'000
Salaries and other employee benefits	**1,076**	1,501
Post employment benefits	**79**	93
Share award costs	**89**	147
	1,244	1,741

The key management compensation above includes the Executive Directors plus three (2010: six) others who were members of the Group Executive during the year.

9 PENSIONS AND OTHER RETIREMENT BENEFITS

Retirement benefit assets and liabilities can be analysed as follows:

	2011 £'000	2010 £'000
Pension asset/(liability)	**280**	(7,134)
Deferred tax asset	**-**	292
Net pension asset/(liability)	**280**	(6,842)

Full disclosures are provided in respect of 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 January 2003. The scheme was closed to future accrual of benefit on 1 October 2009. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The trustee is Avon Rubber Pension Trust Limited, the directors of which are members of the plan. Four of the directors are appointed by the Company and two are elected members.

Pension costs are assessed on the advice of an independent consulting actuary using the projected unit method. The funding of the plan is based on regular actuarial valuations. The most recent finalised actuarial valuation of the plan was carried out at 31 March 2011 when the market value of the plan's assets was £269.3 million. 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 salaries.

During the year the Company made payments to the fund of £869,000 (2010: £481,000) 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 2012 of £450,000.

An updated actuarial valuation for IAS 19 purposes was carried out by an independent actuary at 30 September 2011 using the projected unit method.

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

	2011 % p.a.	2010 % p.a.
Inflation (RPI)	**3.10**	3.00
Inflation (CPI)	**2.20**	n/a
Pension increases post August 2005	**2.10**	2.10
Pension increases pre August 2005	**3.00**	2.90
Discount rate for scheme liabilities	**5.00**	5.10

The scheme actuary estimates a 0.1% change in the discount rate would change the value of scheme liabilities by approximately 1.5% (2010: 1.7%)

9 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:

	2011	2010
Male	**22.1**	20.8
Female	**24.2**	23.1

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

	2011	2010
Male	**23.5**	22.3
Female	**25.8**	24.4

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

	Long-term rate of return expected at 30 Sept 2011 % p.a.	**Value at 30 Sept 2011 £'000**	Long-term rate of return expected at 30 Sept 2010 % p.a.	Value at 30 Sept 2010 £'000
Equities	**7.9**	**115,647**	8.2	102,200
Property	**-**	**-**	7.3	4
Liability driven investments	**3.3**	**160,806**	3.7	140,743
Other	**3.3**	**2,658**	3.7	27,766
Average expected long term rate of return/total fair value of assets	**5.61***	**279,111**	5.60*	270,713

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

* Avon Rubber p.l.c. 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 2011, and adding an allowance for diversification and rebalancing bonus, and the long-term investment strategy.

9 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Reconciliation of funded status to balance sheet	Value at 30 Sept 2011 £'000	Value at 30 Sept 2010 £'000
Fair value of plan assets	**279,111**	270,713
Present value of funded defined benefit obligations	**(278,831)**	(276,989)
Asset/(liability) recognised on the balance sheet	**280**	(6,276)

Amounts charged to profit before taxation in respect of post retirement benefits	2011 £'000	2010 £'000
Interest cost	**13,277**	13,937
Expected return on plan assets	**(13,226)**	(13,242)
Total charged to profit before taxation	**51**	695

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	2011 £'000	2010 £'000
Opening defined benefit obligation	**276,989**	261,785
Interest cost	**13,277**	13,937
Actuarial losses on plan liabilities*	**2,020**	16,381
Net benefits paid out	**(13,455)**	(15,114)
Closing defined benefit obligation	**278,831**	276,989

* Includes changes to the actuarial assumptions.

Changes to the fair value of scheme assets during the year	2011 £'000	2010 £'000
Opening fair value of plan assets	**270,713**	253,408
Expected return on plan assets	**13,226**	13,242
Actuarial gains on plan assets	**7,758**	18,696
Contributions by the employer	**869**	481
Net benefits paid out	**(13,455)**	(15,114)
Closing fair value of plan assets	**279,111**	270,713

9 PENSIONS AND OTHER RETIREMENT BENEFITS (CONTINUED)

Actual return on plan assets

	2011 £'000	2010 £'000
Expected return on plan assets	**13,226**	13,242
Actuarial gain on plan assets	**7,758**	18,696
Actual return on plan assets	**20,984**	31,938

Amounts recognised as other comprehensive income

	2011 £'000	2010 £'000
Total actuarial gains recognised as other comprehensive income	**5,738**	2,315
Cumulative amount of actuarial gains recognised as other comprehensive income	**9,540**	3,802

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of plan assets	**279,111**	270,713	253,408	261,020	251,770
Defined benefit obligation	**(278,831)**	(276,989)	(261,785)	(217,621)	(235,390)
Surplus/(deficit) in plan	**280**	(6,276)	(8,377)	43,399	16,380

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Experience gains/(losses) on plan assets	**7,758**	18,696	(10,864)	3,949	(3,583)
Experience gains/(losses) on plan liabilities*	**4,357**	(6,189)	(1,917)	(213)	(232)

*This item consists of gains/(losses) 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 2011 was £309,000 (2010: £289,000).

10 INTANGIBLE ASSETS

	Development expenditure £'000	Computer Software £'000	Total £'000
At 1 October 2009			
Cost	14,100	1,124	15,224
Accumulated amortisation and impairment	(4,312)	(976)	(5,288)
Net book amount	9,788	148	9,936
Year ended 30 September 2010			
Opening net book amount	9,788	148	9,936
Exchange differences	74	1	75
Additions	582	63	645
Reclassification of assets previously shown as assets held for sale	41	9	50
Disposals	(12)	-	(12)
Amortisation	(1,825)	(75)	(1,900)
Closing net book amount	8,648	146	8,794
At 30 September 2010			
Cost	14,849	1,197	16,046
Accumulated amortisation and impairment	(6,201)	(1,051)	(7,252)
Net book amount	8,648	146	8,794
Year ended 30 September 2011			
Opening net book amount	**8,648**	**146**	**8,794**
Exchange differences	**90**	**5**	**95**
Additions	**3,199**	**152**	**3,351**
Amortisation	**(1,693)**	**(78)**	**(1,771)**
Closing net book amount	**10,244**	**225**	**10,469**
At 30 September 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**

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

11 PROPERTY, PLANT AND EQUIPMENT

	Freeholds £'000	Short leaseholds £'000	Plant and machinery £'000	Total £'000
At 1 October 2009				
Cost	3,300	72	28,159	31,531
Accumulated depreciation and impairment	(748)	(23)	(15,497)	(16,268)
Net book amount	2,552	49	12,662	15,263
Year ended 30 September 2010				
Opening net book amount	2,552	49	12,662	15,263
Exchange differences	15	1	90	106
Additions	125	53	4,756	4,934
Reclassifications	(507)	-	507	-
Reclassification of assets previously shown as assets held for sale	-	59	716	775
Disposals	(1,585)	-	(103)	(1,688)
Depreciation charge	(103)	(17)	(2,302)	(2,422)
Closing net book amount	497	145	16,326	16,968
At 30 September 2010				
Cost	599	230	33,191	34,020
Accumulated depreciation and impairment	(102)	(85)	(16,865)	(17,052)
Net book amount	497	145	16,326	16,968
Year ended 30 September 2011				
Opening net book amount	**497**	**145**	**16,326**	**16,968**
Exchange differences	**7**	**1**	**118**	**126**
Additions	**495**	**11**	**1,950**	**2,456**
Reclassifications	**-**	**(13)**	**13**	**-**
Disposals	**-**	**-**	**(16)**	**(16)**
Depreciation charge	**(25)**	**(28)**	**(2,763)**	**(2,816)**
Closing net book amount	**974**	**116**	**15,628**	**16,718**
At 30 September 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**

12 INVENTORIES

	2011 £'000	2010 £'000
Raw materials	**5,703**	6,825
Work in progress	**2,347**	1,541
Finished goods	**2,629**	3,159
	10,679	11,525

Provisions for inventory write downs were £1,976,000 (2010: £1,468,000).
The cost of inventories recognised as an expense and included in cost of sales amounted to £49,439,000 (2010: £63,955,000).

13 TRADE AND OTHER RECEIVABLES

	2011 £'000	2010 £'000
Trade receivables	**16,728**	11,991
Less: provision for impairment of receivables	**(278)**	(305)
Trade receivables – net	**16,450**	11,686
Prepayments	**689**	1,570
Other receivables	**1,322**	1,284
	18,461	14,540

Other receivables include £956,000 (2010: £956,000) in respect of rent deposits relating to the Company's premises in Melksham, Wiltshire, UK. The remaining balance comprises sundry receivables which are not individually significant for disclosure.

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

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

	2011 £'000	2010 £'000
At 1 October	**305**	240
(Writeback of)/provision for impairment of receivables	**(15)**	65
Receivables written off during the year as uncollectable	**(12)**	-
At 30 September	**278**	305

The creation and release of provision for impaired receivables have been included in 'other expenses' in the Expenses by nature note (note 2).

14 CASH AND CASH EQUIVALENTS

	2011 £'000	2010 £'000
Cash at bank and in hand	**559**	577

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

15 TRADE AND OTHER PAYABLES

	2011 £'000	2010 £'000
Trade payables	**4,581**	6,010
Other taxation and social security	**225**	243
Other payables	**2,251**	1,320
Accruals	**8,163**	8,091
	15,220	15,664

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

16 BORROWINGS

	2011 £'000	2010 £'000
Current		
Bank overdraft	**392**	-
Non-current		
Bank loans	**11,983**	13,166
Total borrowings	**12,375**	13,166
The maturity profile of the Group's borrowings at the year end was as follows:		
In one year or less, or on demand	**392**	-
Between one and two years	**-**	-
Between two and five years	**11,983**	13,166
	12,375	13,166

16 BORROWINGS (CONTINUED)

The Group has the following undrawn committed facilities:

	2011 £'000	2010 £'000
Expiring within one year	-	-
Expiring beyond one year	11,654	10,422
Total undrawn committed borrowing facilities	11,654	10,422
Bank loans and overdrafts utilised	12,375	13,166
Utilised in respect of guarantees	550	702
Total Group facilities	24,579	24,290

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 September 2014. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 2% and include financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2011 and 2010.

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

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

	2011 Sterling %	2011 Dollar %	2010 Sterling %	2010 Dollar %
Bank loans	2.4	2.0	3.5	3.4
Bank overdrafts	2.4	-	-	-

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Property obligations £'000	Other provisions £'000	Automotive disposal £'000	European Dairy relocation £'000	Total £'000
Balance at 1 October 2009	-	1,029	2,190	3,430	6,649
Transferred to accruals	-	-	(139)	-	(139)
Reclassified	3,728	(920)	-	(2,808)	-
Unwinding of discount	441	-	-	-	441
Payments in the year	(786)	(109)	(1,061)	(622)	(2,578)
Balance at 30 September 2010	3,383	-	990	-	4,373
Unwinding of discount	**392**	**-**	**-**	**-**	**392**
Payments in the year	**(567)**	**-**	**(990)**	**-**	**(1,557)**
Balance at 30 September 2011	**3,208**	**-**	**-**	**-**	**3,208**

Analysis of total provisions	**2011 £'000**	2010 £'000
Non-current	**2,641**	2,751
Current	**567**	1,622
	3,208	4,373

Property obligations include an onerous lease provision of £2.3m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2012, and the remaining £1.7m over the following four 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 ten 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.

The provision relating to certain committed production volumes following the disposal of Automotive was fully utilised in 2011.

Notes to the Group Financial Statements continued

for the year ended 30 September 2011

18 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 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 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	2011 £'000	2010 £'000
Trade receivables	**16,450**	11,686
Other receivables	**1,322**	1,284
Cash and cash equivalents	**559**	577
Forward exchange contracts used for hedging:		
- Assets	**4**	148
- Liabilities	**(170)**	(35)
Total	**18,165**	13,660

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

Carrying amount of trade receivables	2011 £'000	2010 £'000
Sterling	**1,308**	1,259
US dollar	**14,599**	9,845
Euro	**543**	582
Total	**16,450**	11,686

18 FINANCIAL INSTRUMENTS (CONTINUED)

Provisions against trade receivables

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

	Gross 2011 £'000	Provision 2011 £'000	Net 2011 £'000	Gross 2010 £'000	Provision 2010 £'000	Net 2010 £'000
Not past due	**15,275**	**(50)**	**15,225**	9,081	(35)	9,046
Past due 0-30 days	**618**	**(67)**	**551**	2,084	(110)	1,974
Past due 31-60 days	**593**	**(46)**	**547**	373	(12)	361
Past due 61-90 days	**152**	**(44)**	**108**	241	(25)	216
Past due more than 91 days	**90**	**(71)**	**19**	212	(123)	89
Total	**16,728**	**(278)**	**16,450**	11,991	(305)	11,686

The total past due receivables, net of provisions is £1,225,000 (2010: £2,640,000).

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

The Group uses weekly cash flow forecast to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facility to meet foreseeable operational expenses and at the year end had facilities of £24.6m (2010: £24.3m).

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

Analysis of contractual cash flow maturities	Carrying amount £'000	Contractual cash flows £'000	Less than 12 months £'000	1 - 2 Years £'000	2 - 5 Years £'000	More than 5 Years £'000
30 September 2011						
Bank overdraft	**392**	**400**	**400**	**-**	**-**	**-**
Secured bank loans	**11,983**	**12,708**	**290**	**290**	**12,128**	**-**
Trade and other payables	**15,220**	**15,220**	**15,220**	**-**	**-**	**-**
Forward exchange contracts used for hedging						
- Outflow	**170**	**7,572**	**7,572**	**-**	**-**	**-**
- Inflow	**(4)**	**-**	**-**	**-**	**-**	**-**
Total	**27,761**	**35,900**	**23,482**	**290**	**12,128**	**-**

18 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 2010						
Secured bank loans	13,166	15,266	600	600	14,066	-
Trade and other payables	15,664	15,664	15,664	-	-	-
Forward exchange contracts used for hedging						
- Outflow	35	5,313	5,313	-	-	-
- Inflow	(148)	-	-	-	-	-
Total	28,717	36,243	21,577	600	14,066	-

(iii) MARKET RISKS

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

(a) Currency risk

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

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value through the consolidated statement of comprehensive income. Fair value is assessed by reference to year end spot exchange rates, adjusted for forward points associated with contracts of similar duration. The fair value of forward exchange contracts used as hedges at 30 September 2011 was a £166,000 liability (2010: a £113,000 asset) comprising an asset of £4,000 (2010: £148,000) and a liability of £170,000 (2010: £35,000).

All forward exchange contracts in place at 30 September 2011 mature within one year.

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a general change of five cents in the value of the US dollar against sterling would have had a £361,000 (2010: £230,000) impact on the Group's current year profit before interest and tax and a £264,000 (2010: £130,000) 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 earnings.

The following significant exchange rates applied during the year:

	Average rate 2011	**Closing rate 2011**	Average rate 2010	Closing rate 2010
US dollar	**1.600**	**1.558**	1.549	1.581
Euro	**1.156**	**1.161**	1.152	1.150

18 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Interest rate risk

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

The Group is exposed to interest rate fluctuations and with net debt of £11.8m (2010:£12.6m) a 1% movement in interest rates would impact the interest costs by £118,000 (2010:£126,000).

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.

18 FINANCIAL INSTRUMENTS (CONTINUED)

(iv) CAPITAL RISK MANAGEMENT

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

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

The Group monitors capital on the basis of the gearing ratio, calculated as net debt divided by capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is measured by the current market capitalisation of the Group, plus net debt. The net debt has been managed carefully and in conjunction with an increased market capitalisation has positively impacted the gearing ratio in 2011 as shown below.

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

	2011 £'000	2010 £'000
Total borrowings	**11,983**	13,166
Cash and cash equivalents	**(167)**	(577)
Group net debt	**11,816**	12,589
Market capitalisation of the Group at 30 September	**87,561**	50,693
Gearing ratio	**11.9%**	19.9%

18 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 2011 £'000	Fair value 2011 £'000	Carrying amount 2010 £'000	Fair value 2010 £'000
Trade receivables	**16,450**	**16,450**	11,686	11,686
Other receivables	**1,322**	**1,322**	1,284	1,284
Cash and cash equivalents	**559**	**559**	577	577
Forward exchange contracts				
- Assets	**4**	**4**	148	148
- Liabilities	**(170)**	**(170)**	(35)	(35)
Secured loans	**(11,983)**	**(11,983)**	(13,166)	(13,166)
Trade and other payables	**(15,220)**	**(15,220)**	(15,664)	(15,664)
	(9,038)	**(9,038)**	(15,170)	(15,170)

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.

19 SHARE CAPITAL

	2011 No. of shares	2011 Ordinary shares £'000	2011 Share premium £'000	2010 No. of shares	2010 Ordinary shares £'000	2010 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**	29,140,681	29,141	34,708
Shares issued during the year	**-**	**-**	**-**	1,582,611	1,582	-
At the end of the year	**30,723,292**	**30,723**	**34,708**	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 36-43.

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

At 30 September 2011 2,537,681 (2010: 2,437,681) 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 2011 was £7,232,000 (2010: £4,022,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During the year the trust acquired 100,000 (2010: 1,771,490) shares at a cost of £250,000 (2010: £1,849,000).

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

20 CASH GENERATED FROM OPERATIONS

	2011 £'000	2010 £'000
Continuing operations		
Profit for the financial year	**7,118**	4,326
Adjustments for:		
Taxation	**3,094**	2,808
Depreciation	**2,816**	2,422
Amortisation of intangible assets	**1,771**	1,900
Finance income	**(5)**	(16)
Finance costs	**486**	985
Other finance expense	**443**	1,152
Profit on disposal of property, plant and equipment	**(1)**	(1)
Loss on disposal of intangible assets	**-**	12
Movement in respect of employee share scheme	**137**	150
Decrease in inventories	**1,001**	347
(Increase)/decrease in receivables	**(3,543)**	183
Decrease in payables and provisions	**(1,343)**	(1,868)
Cash generated from continuing operations	**11,974**	12,400
Analysed as:		
Cash generated from continuing activities prior to the effect of exceptional operating items	**11,974**	13,586
Cash effect of exceptional operating items	**-**	(1,186)
Discontinued operations		
Decrease in payables and provisions	**(1,557)**	(2,052)
Cash used in discontinued operations	**(1,557)**	(2,052)
Cash generated from operations	**10,417**	10,348

Cash flows relating to the discontinued operations are as follows:

	2011 £'000	2010 £'000
Cash flows from operating activities	**(1,557)**	(2,052)
Cash used in discontinued operations	**(1,557)**	(2,052)

21 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 2010 £'000	Cash flow £'000	Exchange movements £'000	**At 30 Sept 2011 £'000**
Cash at bank and in hand	577	(18)	-	**559**
Overdrafts	-	(392)	-	**(392)**
Net cash and cash equivalents	577	(410)	-	**167**
Debt due in more than 1 year	(13,166)	1,334	(151)	**(11,983)**
	(12,589)	924	(151)	**(11,816)**

22 OTHER FINANCIAL COMMITMENTS

	2011 £'000	2010 £'000
Capital expenditure committed	**1,021**	422

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:

	2011 Land and buildings £'000	**2011 Other assets £'000**	2010 Land and buildings £'000	2010 Other assets £'000
Within one year	**2,054**	**76**	2,030	51
Between 1 and 5 years	**7,635**	**216**	7,950	102
Later than 5 years	**8,144**	**-**	10,417	-
	17,833	**292**	20,397	153

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

23 SHARE BASED PAYMENTS

The Group operates an equity settled share based compensation plan (PSP). Details of the Scheme, awards granted and options outstanding are set out in the remuneration report on page 42. The charge against profit of £137,000 (2010: £150,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions:

	2011 PSP	2010 PSP
Weighted average fair value (£)	**0.40**	0.20
Key assumptions used:		
Weighted average share price (£)	**1.90**	0.81
Volatility (%) (estimated based on historic experience)	**29**	29
Risk-free interest rate (%)	**1.11**	1.76
Expected option term (yrs)	**3.0**	3.0
Divided yield (%)	**1.0**	1.5

24 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year or outstanding at the end of the year. Key management compensation is disclosed in note 8.

25 GROUP UNDERTAKINGS

	Country in which incorporated
Held by Parent Company	
Avon Polymer Products Limited	UK
Avon Rubber Overseas Limited	UK
Avon Rubber Pension Trust Limited	UK
Held by Group undertakings	
Avon Engineered Fabrications, Inc.	USA
Avon Hi-Life, Inc.	USA
Avon Protection Systems, Inc.	USA
Avon Rubber & Plastics, Inc.	USA
Avon-Ames Limited	UK
Avon International Safety Instruments, Inc.	USA
Nova Insurance Limited	Guernsey

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

All companies have a year ending on 30 September.

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

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

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

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

Independent Auditor's Report

for the year ended 30 September 2011

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

We have audited the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Accounting Policies and Critical Accounting Judgements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2011 and on the information in the 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
23 November 2011

Independent Auditor's Report

for the year ended 30 September 2011

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

We have audited the Parent Company financial statements of Avon Rubber p.l.c. for the year ended 30 September 2011 which comprise the Parent Company Balance Sheet, the Parent Company Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Avon Rubber p.l.c. for the year ended 30 September 2011.

Mark Ellis
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
23 November 2011

Parent Company Balance Sheet

at 30 September 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed Assets					
Tangible assets	4		**113**		123
Investments	5		**72,097**		72,097
			72,210		72,220
Current assets					
Debtors	7	**47,861**		47,434	
Cash at bank and in hand		**-**		466	
		47,861		47,900	
Creditors - amounts falling due within one year	8	**8,547**		8,878	
Net current assets			**39,314**		39,022
Total assets less current liabilities			**111,524**		111,242
Non- current liabilities					
Borrowings	9	**10,879**		9,748	
Provisions for liabilities	10	**3,208**		3,383	
			14,087		13,131
Net assets			**97,437**		98,111
Capital and reserves					
Called up 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		**31,506**		32,180
Total shareholders' funds	13		**97,437**		98,111

These financial statements were approved by the Board of Directors on 23 November 2011 and were signed on its behalf by:

Peter Slabbert

Andrew Lewis

Parent Company Accounting Policies

for the year ended 30 September 2011

Accounting policies

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

Basis of preparation

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

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

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

Foreign currencies

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

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

Impairment of fixed assets

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

Investment in subsidiary undertakings

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

Leased assets

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

Pensions

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

The Company also 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 and charges

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

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

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 on the straight line method at rates varying between 6% and 50% per annum.

Related parties

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

Share based payment

The Company operates a number of equity-settled, 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.

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.

Notes to the Parent Company Financial Statements

for the year ended 30 September 2011

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 £145,000 (2010: £132,000 loss).

The audit fee in respect of the parent company was £30,000 (2010: £35,000).

2 DIVIDENDS

On 3 March 2011, the shareholders approved a final dividend of 1.5p per qualifying ordinary share in respect of the year ended 30 September 2010. This was paid on 8 April 2011 absorbing £424,000 of shareholders' funds. No interim dividend was paid in the prior year.

On 20 April 2011, the Board of Directors approved an interim dividend of 1.0p per qualifying ordinary share in respect of the year ended 30 September 2011. This was paid on 8 September 2011 absorbing £282,000 of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.0p per qualifying ordinary share in respect of the year ended 30 September 2011, which will absorb an estimated £588,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 9 March 2012 to shareholders on the register at the close of business on 10 February 2012. 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:

	2011 **£'000**	2010 £'000
Wages and salaries	**1,228**	1,372
Social security costs	**338**	289
Other pension costs	**155**	95
Share based payments	**137**	150
	1,858	1,906

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

The average number of employees (including Executive Directors) during the year was: 8 (2010: 8), all of whom were classified as administrative staff.

4 TANGIBLE ASSETS

	Plant and Machinery £'000
Cost	
At 1 October 2010	**453**
Additions at cost	**25**
Disposals	**(62)**
At 30 September 2011	**416**
Accumulated depreciation	
At 1 October 2010	**330**
Charge for the year	**35**
On disposals	**(62)**
At 30 September 2011	**303**
Net book amount at 30 September 2011	**113**
Net book amount at 30 September 2010	123

5 INVESTMENTS

	Investment in Subsidiaries 2011 £'000	Investment in Subsidiaries 2010 £'000
Cost and net book value	**72,097**	72,097

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

	Principal activity	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of rubber and polymer based products	UK
Avon Rubber Overseas Limited	Investment Company	UK
Avon Rubber Pension Trust Limited	Pension Fund Trustee	UK

Details of investments held by these subsidiaries are given in note 25 to the Group accounts on page 82.

6 OTHER FINANCIAL COMMITMENTS

	2011 £'000	2010 £'000
Capital expenditures committed	-	-

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

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

	2011 Land and buildings £'000	2010 Land and buildings £'000
For leases expiring		
Within 1 year	**-**	-
In 2-5 years	**814**	-
Over 5 years	**153**	969
	967	969

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

7 DEBTORS

	2011 £'000	2010 £'000
Amounts owed by Group undertakings	**46,334**	45,808
Other debtors	**961**	1,014
Prepayments	**566**	612
	47,861	47,434

Other debtors include £956,000 (2010: £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

	2011 £'000	2010 £'000
Bank overdrafts	**266**	-
Amounts due to Group undertakings	**6,200**	6,861
Other creditors	**544**	471
Accruals	**1,537**	1,546
	8,547	8,878

9 BORROWINGS

	2011 £'000	2010 £'000
Current		
Bank overdrafts	**266**	-
Non-current		
Bank loans	**10,879**	9,748
Total borrowings	**11,145**	9,748

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

	2011 £'000	2010 £'000
In 1 year or less or on demand	**266**	-
Between 1 and 2 years	**-**	-
Between 2 and 5 years	**10,879**	9,748
	11,145	9,748

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

	2011 £'000	2010 £'000
Sterling	**1,516**	2,000
US dollars	**9,629**	7,748
	11,145	9,748

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 2% and includes financial covenants which are measured on a quarterly basis. The Company was in compliance with its financial covenants during 2011 and 2010.

The facility is secured by charges over all Group assets and certain shares in Group companies.

10 PROVISIONS FOR LIABILITIES

	Property obligations £'000	Other provisions £'000	European Dairy relocation £'000	Total £'000
Balance at 1 October 2009	-	720	2,958	3,678
Reclassified	3,528	(720)	(2,808)	-
Unwinding of discount	441	-	-	441
Payments in the year	(586)	-	(150)	(736)
Balance at 30 September 2010	3,383	-	-	3,383
Unwinding of discount	**392**	**-**	**-**	**392**
Payments in the year	**(567)**	**-**	**-**	**(567)**
Balance at 30 September 2011	**3,208**	**-**	**-**	**3,208**

Analysis of total provisions	**2011 £'000**	2010 £'000
Non-current	**2,641**	2,751
Current	**567**	632
	3,208	3,383

Property obligations include an onerous lease provision of £2.3m in respect of unutilised space at the Group's leased Hampton Park West facility in the UK. £0.6m of this provision is expected to be utilised in 2012, and the remaining £1.7m over the following four years. Other property obligations relate to former premises of the Group which are subject to dilapidation risks. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

11 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Called up, allotted and fully paid ordinary shares of £1 each		
30,723,292 (2010: 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 2009	34,708	500	34,011	69,219
Retained loss for the year	-	-	(132)	(132)
Movement in respect of employee share schemes	-	-	(1,699)	(1,699)
At 30 September 2010	34,708	500	32,180	67,388
Retained loss for the year	**-**	**-**	**(561)**	**(561)**
Movement in respect of employee share schemes	**-**	**-**	**(113)**	**(113)**
At 30 September 2011	**34,708**	**500**	**31,506**	**66,714**

13 TOTAL SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
At the beginning of the year	**98,111**	98,360
Profit/(loss) for the financial year attributable to equity shareholders	**145**	(132)
Dividends paid	**(706)**	-
Purchase of shares by the employee benefit trust	**(250)**	(1,849)
Movement in respect of employee share scheme	**137**	150
New shares issued	**-**	1,582
At 30 September	**97,437**	98,111

At 30 September 2011 2,537,681 (2010: 2,437,681) 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 2011 was £7,232,000 (2010: £4,022,000). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During the year the trust acquired 100,000 (2010:1,771,490) shares at a cost of £250,000 (2010: £1,849,000).

14 SHARE BASED PAYMENTS

The Company operates an equity settled share based compensation plan (PSP). Details of the Scheme, awards granted and options outstanding are set out in the remuneration report on page 42. The charge against profit of £137,000 (2010: £150,000) in respect of PSP options granted after 7 November 2002 has been calculated using the Monte Carlo pricing model and the following principal assumptions.

	2011 PSP	2010 PSP
Weighted average fair value (£)	**0.40**	0.20
Key assumptions used:		
Weighted average share price (£)	**1.90**	0.81
Volatility (%) (estimated based on historic experience)	**29**	29
Risk-free interest rate (%)	**1.11**	1.76
Expected option term (yrs)	**3.0**	3.0
Dividend yield (%)	**1.0**	1.5

Five Year Record

for the year ended 30 September 2011

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Revenue	**107,600**	117,574	100,900	54,606	48,666
Operating profit/(loss)	**11,136**	9,255	5,509	(4,105)	(120)
Exceptional operating items	**-**	-	(2,535)	(8,481)	-
Operating profit/(loss) from continuing operations	**11,136**	9,255	2,974	(12,586)	(120)
Net interest and other finance (expense)/income	**(924)**	(2,121)	(1,112)	195	1,688
Profit/(loss) before taxation	**10,212**	7,134	1,862	(12,391)	1,568
Taxation	**(3,094)**	(2,808)	(2,004)	1,259	(717)
Profit/(loss) for the year from continuing operations	**7,118**	4,326	(142)	(11,132)	851
(Loss)/profit for the year from discontinued operations	**-**	-	-	(8,337)	244
Profit/(loss) for the year	**7,118**	4,326	(142)	(19,469)	1,095
Profit attributable to non-controlling interest	**-**	-	41	6	1
Profit/(loss) attributable to equity shareholders	**7,118**	4,326	(183)	(19,475)	1,094
Ordinary dividends	**(706)**	-	-	(1,367)	(2,353)
Retained profit/(loss)	**6,412**	4,326	(183)	(20,842)	(1,259)
Intangible assets and property, plant and equipment	**27,187**	25,762	25,199	25,040	37,346
Net assets classified as held for sale	**-**	-	3,082	3,517	466
Working capital	**11,714**	9,628	5,273	5,201	9,649
Provisions	**(3,208)**	(4,373)	(6,649)	(5,568)	(2,037)
Pension asset/(liability)	**280**	(7,134)	(9,152)	42,640	14,650
Net deferred tax liability	**(2,985)**	(2,517)	(1,833)	(13,024)	(6,182)
Net borrowings	**(11,816)**	(12,589)	(13,656)	(15,139)	(10,436)
Net assets employed	**21,172**	8,777	2,264	42,667	43,456
Financed by:					
Ordinary share capital	**30,723**	30,723	29,141	29,141	29,125
Reserves attributable to equity shareholders	**(9,551)**	(21,946)	(26,916)	12,963	13,774
Non-controlling interest in equity	**-**	-	39	563	557
Total equity	**21,172**	8,777	2,264	42,667	43,456
Basic earnings/(loss) per share	**25.2p**	15.2p	(0.6)p	(68.4)p	3.9p
Dividends per share	**2.5p**	-	-	4.8p	8.5p

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

Notice of Annual General Meeting

for the year ended 30 September 2011

Notice is hereby given that the annual general meeting of shareholders will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 2 February 2012 at 10.30 a.m. for the following purposes:-

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

1. To receive and consider the report of the Directors and the financial statements for the year ended 30 September 2011 (Resolution No.1).

2. To declare a dividend on the ordinary shares which will be proposed as an Ordinary Resolution (Resolution No. 2).

3. To approve the remuneration report of the Directors (as set out on pages 36 to 43 of the annual report) for the year ended 30 September 2011 which will be proposed as an Ordinary Resolution (Resolution No. 3).

To re-elect Directors:-

4. Mrs. S.J. Pirie retires by rotation and, being eligible, offers herself for re-election which will be proposed as an Ordinary Resolution (Resolution No. 4)

5. Mr. A.G. Lewis retires by rotation and, being eligible, offers himself for re-election which will be proposed as an Ordinary Resolution (Resolution No. 5)

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

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

   "That in accordance with section 551 of the Companies Act 2006 ('2006 Act') the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the 2006 Act) up to an aggregate nominal amount of £10,241,097 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 24 April 2013 or, if earlier, the date of the annual general meeting of the Company in 2013 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."

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

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

   (a) be limited to the allotment of equity securities up to an aggregate nominal amount of £1,536,164; and
   (b) expire on 24 April 2013 or, if earlier, the date of the annual general meeting of the Company in 2013 (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."

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

   "That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the 2006 Act to make market purchases (within the meaning of 693(4) of the 2006 Act) of ordinary shares of £1 each in the capital of the Company provided that:

   (a) the maximum number of shares which may be purchased is 4,608,492;
   (b) the minimum price which may be paid for each share is 1p;
   (c) the maximum price which may be paid for a share is an amount equal to 105% (one hundred and five percent) of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange official list for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased; and

Notice of Annual General Meeting continued

for the year ended 30 September 2011

(d) this authority shall expire on 24 April 2013 or, if earlier, the date of the annual general meeting of the Company held in 2013 (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."

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

"That the Avon Rubber p.l.c. Employee Stock Purchase Plan ('the ESPP'), the principal terms of which are summarised in Appendix 1 to this Notice, be constituted in the form of the rules produced in draft to the general meeting and signed by the Chairman for the purposes of identification, and that the same be and is hereby approved, and the Directors be and are hereby authorised:

(a) to do all acts and things as may be necessary to carry the same into effect, including the making of any amendments to the rules of the ESPP as may be necessary or appropriate to take account of any relevant U.S. federal or state securities laws, tax and exchange control requirements; and
(b) at their discretion to adopt other equity based compensation plans for employees of the Company and its subsidiaries located in overseas jurisdictions subject to such modifications to take into account local tax, exchange control, securities laws or other regulatory issues as they consider appropriate."

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

"That the Avon Rubber p.l.c Share Incentive Plan ('the SIP'), the principal terms of which are summarised in Appendix 2 to this Notice, be constituted in the form of the rules produced in draft to the meeting and signed by the Chairman for the purposes of identification, and that the same be and is hereby approved, and the Directors be and are hereby authorised:

(a) to do all acts and things as may be necessary to carry the same into effect, including the making of any amendments to the rules of the SIP as may be necessary or appropriate to comply with best practice or to secure the approval of the Her Majesty's Revenue & Customs to the SIP or to take into account any requirements of the UK Listing Authority or London Stock Exchange; and
(b) at their discretion to adopt similar plans for employees of the Company and its subsidiaries located in overseas jurisdictions subject to such modifications to take into account, local tax, exchange control, securities laws or other regulatory issues as they consider appropriate."

12 As special business to consider and if thought fit pass the following resolution which will be proposed as a Special Resolution (Resolution No. 12):

"That the proposed amendments to the Avon Rubber p.l.c 2010 Performance Share Plan, which are summarised in the Explanatory Notes to this Resolution and are set out in the amended rules produced to this Meeting and initialled by the Chairman for the purposes of identification and is hereby approved and the Directors be authorised to do all acts and things necessary or appropriate to give effect to the proposed amendments."

By order of the Board

Miles Ingrey-Counter
Company Secretary
23 November 2011

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

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

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

(i) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, 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 RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(4) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the 2006 Act ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

(5) In order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 pm on 31 January 2012 (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.

Notice of Annual General Meeting continued

for the year ended 30 September 2011

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

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

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

(10) The issued share capital of the Company as at 23 November 2011 was 30,723,292 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

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

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

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

(13) Pursuant to Chapter 5 of Part 16 of the 2006 Act (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the 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:
(iii) a hard copy request which is signed by the member or members concerned, stating their full names and addresses and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.
(iv) a request which is signed by the member or members concerned, stating their full names and addresses and is sent by fax to 01225 896899 marked for the attention of the Company Secretary.
(v) a request which states the full names and addresses of the member or members concerned, sent by email to miles.ingrey-counter@avon-rubber.com.

(14) Pursuant to section 338 of the 2006 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:
(i) a hard copy request which is signed by the member or members concerned, stating their full names and addresses and is sent to Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.
(ii) a request which is signed by the member or members concerned, stating their full names and addresses and is sent by fax to 01225 896899 marked for the attention of the Company Secretary.
(iii) a request which states the full names and addresses of the member or members concerned, sent by email to miles.ingrey-counter@avon-rubber.com.

The request:
(i) 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.

Explanation of Resolutions 7 and 8

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

The authorities referred to above were renewed at the AGM in 2011 and will, unless again renewed by the shareholders, expire at the end of the forthcoming AGM. The authorisation for the allotment of Relevant Securities and for the disapplication of pre-emption rights can be renewed by way of an ordinary resolution and special resolution respectively. It is therefore proposed as Resolution No. 7 to renew the authority of the Directors to allot Relevant Securities up to an aggregate nominal amount of £10,241,097 ('the section 546 amount'), being an amount equal to one third of the existing issued ordinary share capital, so that the Directors are empowered pursuant to and within that authority to issue Relevant Securities (including in connection with a rights issue). It is additionally proposed as Resolution No. 8 to provide that the authority to issue Relevant Securities for cash to persons other than existing shareholders (and not by way of a rights issue) will be limited to issues representing no more than £1,536,164 ('the section 561 amount') being 5% of the issued ordinary share capital as shown in the latest audited financial statements.

The proposed section 546 amount and the proposed section 561 amount are the same as last year as there has been no increase in the issued share capital during the year. In connection with the section 546 amount the Investment Committees permit the allotment of ordinary shares on a fully pre-emptive basis up to a maximum amount of two thirds of the issued share capital at the time of allotment. However, where this amount is in excess of one third in monetary value of the pre-issue market capitalisation, then the Investment Committees expect all members of the Board of Directors to stand for re-election at the next AGM. To ensure that this requirement is not inadvertently triggered, the section 546 amount has been set at one third of the current issued share capital.

The authorities sought in Resolutions 7 and 8 comply with the guidelines of the Investment Committees and will, unless subsequently renewed by shareholders, expire at the end of the annual general meeting to be held in 2013 or on 24 April 2013 if earlier.

'Relevant Securities' means:

(i) Shares in the Company other than shares allotted pursuant to:
- an employee share scheme (as defined by section 1166 of the 2006 Act);
- a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
- a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.

(ii) Any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). References to the allotment of Relevant Securities in the resolutions include the grant of such rights.

No issue of shares (apart from issues in respect of the exercise of options granted or to be granted to employees or Directors under option schemes approved by shareholders, including the Avon Rubber Sharesave Option Scheme 2002, the Avon Rubber p.l.c. Performance Share Plan 2002, the Avon Rubber p.l.c. Performance Share Plan 2010 and if they are approved by shareholders pursuant to Resolutions 10 and 11, the Avon Rubber p.l.c. Employee Stock Purchase Plan and the Avon Rubber p.l.c. Share Incentive Plan) is currently contemplated and none will be made which will effectively alter the control of the Company without the prior approval of the Company in general meeting.

Explanation of Resolution 9

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

Resolution 9 would grant the Company authority to make purchases on the London Stock Exchange of up to 4,608,492 ordinary shares of £1 each of the Company, subject to the limitations on the minimum and maximum prices set out in the Resolution, for a period up to the 24 April 2013 or, if earlier, the date of the annual general meeting of the Company held in 2013. The maximum number of ordinary shares for which authority to purchase is being sought represents nearly 15% (fifteen percent) of the Company's issued ordinary share capital.

As of 23 November 2011 there were options outstanding over 2,340,357 ordinary shares, representing 7.62% of the Company's ordinary issued share capital. If the authority given by Resolution No.9 were to be fully exercised, these options would represent 8.96% of the Company's ordinary issued share capital after cancellation of the re-purchased shares. As of 23 November 2011 there were no warrants outstanding over ordinary shares.

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

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

In the opinion of the Directors, Resolution 9 is in the best interests of the shareholders as a whole and the Directors intend to seek renewal of these powers at subsequent annual general meetings.

Explanation of Resolution 10

Resolution 10 seeks shareholder approval of the rules constituting the Avon Rubber p.l.c. Employee Stock Purchase Plan ('the ESPP').

The ESPP is an employee share purchase plan, which may provide preferential tax treatment to participants in the US (assuming certain requirements are satisfied) and will be operated for US employees as an equivalent to the SIP. The ESPP allows all qualifying US employees to purchase the Company's shares at a discounted price out of net salary up to a maximum of $25,000 per tax year. Additionally, the maximum number of shares that may be purchased by an employee during any offering period under the ESPP equals the lesser of (i) $3,000 or (ii) ten percent (10%) of the employee's annual salary as of the January 1st preceding such offering, in either case, divided by the fair market value of the Company's stock on the first day of the offering.

Subject to approval of the ESPP by shareholders, it is currently intended that qualifying US employees of the Company will be invited to participate in the ESPP from April 2012. A summary of the main terms of the ESPP is set out in Appendix 1.

Explanation of Resolution 11

Resolution 11 seeks shareholder approval of the trust deed and rules constituting the Avon Rubber p.l.c. Share Incentive Plan ('the SIP').

The SIP is an all employee share plan, approved by HM Revenue & Customs, which will be operated as an equivalent to the ESPP for UK employees. The SIP allows all qualifying UK employees the opportunity to purchase the Company's shares out of gross earnings of up to £1,500 per tax year or, if less, up to 10%, of annual salary. These shares are called partnership shares. The Company can, if it wishes, match partnership shares with a maximum of two matching shares. In addition or as an alternative the Company may award free shares worth up to £3,000 per tax year to participating employees and allow the reinvesting of dividends arising under the SIP in dividend shares. For the initial operation of the SIP, the intention is to utilise partnership shares to replicate, as far as possible, the discounted price available to US employees under the ESPP. The Company will, however, retain the discretion to operate the free, matching and dividend aspects of the SIP in future.

Subject to approval of the SIP by shareholders and HM Revenue & Customs, it is currently intended that UK employees will be invited to participate in the SIP from April 2012. A summary of the main terms of the SIP is set out in Appendix 2.

Explanation of Resolution 12

In order to accommodate the introduction of the proposed new all employee share plans in the US and UK (as referred to in Resolutions 10 and 11 above), it is proposed to amend the share capital limit under the Avon Rubber p.l.c 2010 Performance Share Plan ('the PSP'). The amendment to clause 5.3 is set out in full below and is proposed to ensure that the 10% dilution limit is retained for the PSP by increasing the maximum dilution under all employee share schemes to 15%.

"The maximum number of new Shares which may be issued under this Plan on any day, when aggregated with the number of shares issued, or remaining capable of being issued by the Company under this Plan or:

(a) any other discretionary employees' share scheme in the previous 10 years must not exceed 10% of the issued share capital of the Company on that day;
(b) any other employees' share scheme in the previous 10 years must not exceed 15% of the issued share capital of the Company on that day. "

Appendix 1
Summary of the main terms of the Avon Rubber p.l.c. Employee Stock Purchase Plan (the ESPP)

Structure

The ESPP is an employee stock purchase plan which is designed to achieve tax benefits under Section 423 of the US Internal Revenue Code of 1986, as amended ('the Code'). Under the ESPP, the Company must offer all eligible employees the opportunity to buy or subscribe for shares out of their post-tax salary.

Eligibility

Upon the effective date of the ESPP, all employees of any of the Company's US subsidiaries will be invited to participate subject to certain minimum service requirements. The ESPP may exclude employees (i) who have been employed for less than two (2) years, (ii) whose customary employment is twenty (20) hours or less per week, (iii) whose customary employment is less than five (5) months per year, and (iv) highly compensated employees (e.g., employees earning more than $110,000 in 2011, subject to cost-of-living adjustments). Additionally, no employee shall be eligible to participate if such employee owns more than five percent (5%) of the Company's outstanding stock or if the granting of an option would cause the employee to own more than five percent (5%) of such stock.
Eligible employees who choose to participate in the ESPP must authorise the deduction of a set amount each month out of their post-tax salary up to a maximum of the lesser $3,000 per annum or 10% of the employee's basic annual salary. This amount will be deducted from an employee's salary on a pro rata basis monthly for the duration of the offering period. In any event, as required by the Code, no employee will be able to acquire shares exceeding $25,000 in any calendar year (determined at the time an option is granted).

Grant of Options

Each participant shall be granted an option at the beginning of an offering period to purchase shares at the end of that offering period up to a number of shares determined by dividing the employee's payroll deductions accumulated prior to an applicable option purchase date by the purchase price. The ESPP shall operate with consecutive offering periods. Each offering period shall be twelve (12) months, subject to the Company's discretion to change the duration on a prospective basis up to a maximum of five (5) years.

Purchase Price

The option price payable for shares acquired under the ESPP shall be determined by the Company prior to the beginning of each offering period but in no event shall such price be less than eighty-five percent (85%) of the fair market value of the Shares on the date of exercise.

Exercise of Options

Unless a participant withdraws from the ESPP earlier, at the end of the offering period his or her options will be automatically exercised and the maximum number of shares will be purchased on the exercise date. No fractional shares will be purchased. During a participant's lifetime, options may only be exercised by the participant. Upon a participant ceasing to be an employee for any reason at any time before a purchase date, he or she shall be deemed to have elected to withdraw from the ESPP, and the payroll deductions credited to such participant's account during such offering period shall be returned to such participant, or in the case of the participant's death, to participant's beneficiary or estate, and such participant's option shall be immediately terminated.

Takeover or Reconstruction

Upon a takeover, scheme of arrangement, merger or other reorganisation of the Company, in the Company's discretion all options may be (i) automatically exercised early without participant consent; (ii) cancelled and all contributions returned to participants without interest; (iii) substituted for options to purchase shares in the successor company (containing such terms and conditions as shall be required to substantially preserve the rights and benefits of the options previously held by the participants); or (iv) treated in any other manner the Remuneration Committee deems appropriate.
Additionally, in the event of the sale of a participating US subsidiary or a sale of a business division or business unit of such US subsidiary, in either case, which results in the termination of employment of one or more ESPP participants, the Company may, in its discretion, cancel all options and return all contributions to those terminated employees without interest, or shorten the current offering period by setting a new exercise date and permit those terminating employees to exercise their options upon termination.

Share capital limits

The aggregate number of Shares available under the ESPP may not exceed 4,608,494 of the Company's ordinary shares of £1 each. No award which involves the issue of new shares may be made on any date under the ESPP if the number of shares to which it relates, when aggregated with the number of shares issued or remaining issuable by virtue of awards or other rights granted or made in the preceding 10 years under the ESPP and any other employee share plan adopted by the Company, would exceed 15% of the issued share capital at that time.
For the purposes of the 15% limit, no account will be taken of rights to acquire shares or interests in shares which have lapsed or have been surrendered or released. However, shares subscribed by the trustees of the Avon Rubber plc Employee Share Ownership Trusts to satisfy rights under any employee share plan do count and (whilst it continues to be good practice to do so) so do shares transferred from treasury.

Amendment and Termination

The Board may amend the ESPP in any respect, provided that the prior approval of shareholders is obtained for any modifications that are to the advantage of employees in respect of those provisions dealing with eligibility, share capital limits, maximum entitlements and the basis for determining and adjusting an employee's entitlement in the event of a variation of the Company's share capital or where such approval is required by Section 423 of the Code. The requirement to obtain the prior approval of the Company in general meeting will not apply in relation to any amendment which is of a minor nature to benefit the administration of the ESPP, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees eligible to participate in the ESPP or group companies.

Miscellaneous Provisions

Ordinary shares allotted under the ESPP will rank equally with all other shares of the Company for the time being in issue and the Company will apply for admission of any new shares issued under the ESPP to the Official List of the London Stock Exchange. Such shares will rank pari passu with all other issued shares of the Company except for any rights determined by reference to a date preceding the date on which the shares are issued.

Benefits received under the ESPP will not be pensionable.

The Directors reserve the right up to the forthcoming AGM to make such amendments to the ESPP as are considered appropriate, provided such amendments do not conflict in any material way with this summary of the ESPP and to make such amendments and additions to the ESPP up to and after the AGM to the extent required to conform the ESPP to the requirements of section 423 of the Code. The ESPP will be terminated on the tenth anniversary of the date of adoption unless previously amended or terminated by the Board.

Appendix 2
Summary of the main terms of the Avon Rubber p.l.c. Share Incentive Plan (the SIP)

Structure

The SIP is approved by HM Revenue & Customs and is intended to be a flexible all employee share plan. It is operated through a UK resident trust ('the Trust') which buys or subscribes for shares that are subsequently awarded to employees. Under the SIP, the Company may offer any of the following combination of features to allow eligible employees to obtain shares in the Company:

The Company can give up to £3,000 worth of free shares per annum per employee ('the Free Shares').

The Company can also give employees the opportunity to buy partnership shares from their gross salary or weekly wages up to a maximum of £1,500 per annum per employee (or 10% of salary, if lower) ('the Partnership Shares'). If an employee buys Partnership Shares, the Company can give employees up to two free matching shares for each partnership share acquired by the employee ('the Matching Shares').

In addition, the Company can allow employees to purchase more shares using dividends received on the Free Shares, Partnership Shares and Matching Shares ('the Dividend Shares'). Employees may buy up to £1,500 of Dividend Shares annually.

For the first operation of the SIP, the Company intends to offer only Partnership Shares to employees.

Eligibility

If the Directors decide to make an award under the SIP, all employees of the Company and its subsidiaries ('a Participating Company') who are UK tax resident must be offered the opportunity to participate, whether they work full or part time. The Company can require employees to have completed a minimum qualifying period of employment before they can participate, but that period must not exceed 18 months.

Retention of shares

Free and Matching Shares awarded to an employee are subject to a holding period of between three and five years (the exact period to be determined by the Company). The SIP can also provide for Free and Matching Shares to be forfeited if an employee leaves within three years of the award unless the employee leaves for certain specified reasons such as injury or disability, redundancy, transfer of the employing business/subsidiary or retirement.

Employees can withdraw their Partnership Shares from the SIP at any time but any corresponding Matching Shares may be subject to forfeiture if the withdrawal is within three years of purchase.Where an employee ceases to be employed by a Participating Company all Free, Partnership and Matching Shares shall be transferred to the employee, unless the forfeiture provisions referred to above apply.

Takeover and reconstruction

In the event of a general offer being made to the shareholders or a rights issue, employee participants will be able to direct the trustees of the Trust how to act on their behalf.

Share capital limits

No award which involves the issue of new shares may be made on any date under the SIP if the number of shares to which it relates, when aggregated with the number of shares issued or remaining issuable by virtue of awards or other rights granted or made in the preceding 10 years under the SIP and any other employee share plan adopted by the Company, would exceed 15 per cent of the Company's issued share capital at that time. For the purposes of this limit, no account will be taken of rights to acquire shares or interests in shares which have lapsed or have been surrendered or released. However, shares subscribed by the trustees of the Avon Rubber plc Employee Share Ownership Trusts to satisfy rights under any employee share plan do count and (whilst it continues to be good practice to do so) so do shares transferred from treasury.

Amendments

The Company may, with the Trust's written consent, amend the SIP provided that the prior approval of shareholders is obtained for any modifications that are to the advantage of employees in respect of those provisions dealing with eligibility, share capital limits, maximum entitlements and the basis for determining and adjusting an employee's entitlement in the event of a variation of the Company's share capital. The requirement to obtain the prior approval of the Company in general meeting will not apply in relation to any amendment which is of a minor nature to benefit the administration of the SIP, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees eligible to participate in the SIP or group companies. No alteration to a key feature of the SIP or the trust deed establishing it may be made while the SIP is approved by HMRC without HMRC approval.

The Directors reserve the right up to the forthcoming AGM to make such amendments to the SIP as are considered appropriate, provided such amendments do not conflict in any material way with this summary of the SIP and to make such amendments and additions to the SIP up to and after the AGM to the extent required to secure the approval of HM Revenue & Customs to the SIP.

General

Each Participating Company will fund the Trust to subscribe for or buy Free or Matching Shares in the market. In the case of Partnership Shares, the funding is provided by the relevant employees. In the case of a subscription for shares by the trustee of the Trust, the subscription price may be the nominal value of an Ordinary share.

Ordinary shares allotted under the SIP will rank equally with all other shares of the Company for the time being in issue and the Company will apply for admission of any new shares issued under the SIP to the Official List of the London Stock Exchange. Such shares will rank pari passu with all other issued shares of the Company except for any rights determined by reference to a date preceding the date on which the shares are issued.

Benefits received under the SIP will not be pensionable. The Company retains the discretion to extend the SIP or adopt equivalent plans for overseas employees of the Company and its subsidiaries subject to such modifications as the Directors shall consider appropriate to take into account local tax, exchange control, securities laws or other regulatory requirements. In all cases, shares issued (or re-issued) pursuant to such schemes shall be treated as counting against the overall limits of the SIP.

SHAREHOLDERS' INFORMATION

Shareholders

On 14 November 2011 the Company had 1,913 shareholders, of which 1,056 (55.2%) had 1,000 shares or less.

Financial Calendar

Interim results announced in May and final results in November.

In respect of the year ended 30 September 2011 the Annual General Meeting will be held on 2 February 2012 at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

M50/M51

AR&A 2011 FRONT COVER IMAGE

The front cover shows the M51 mask being used in conjunction with a Combat Vehicle Crewman helmet and hood for head and neck protection, a communication lead and hose to intergrate with vehicle protection sytems.

The M50/JSGPM (Joint Service General Purpose Mask) was selected by the US Department of Defense to replace existing respiratory protective masks used by all branches of the US military. The M50 (of which the M51 is a derivative) provides outstanding protection from battlefield concentrations of Chemical or Biological (CB) agents, Toxic Industrial Materials (TIMs), Toxic Industrial Chemicals (TICs) and particulate matter. The streamlined design offers unique twin conformal filters for low breathing resistance and reduced burden, excellent weapons integration and balance.

Corporate Information

Registered office

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

Registered

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

Board of Directors

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

Company Secretary

Miles Ingrey-Counter

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Registrars & Transfer Office

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

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

Brokers

Arden Partners plc

Solicitors

TLT LLP

Principal Bankers

Barclays Bank PLC
Comerica Inc.

Corporate Financial Advisor

Arden Partners plc

Corporate website

www.avon-rubber.com

Avon Rubber p.l.c.

CORPORATE HEADQUARTERS • HAMPTON PARK WEST • SEMINGTON ROAD • MELKSHAM • WILTSHIRE • SN12 6NB • ENGLAND
TEL: +44 (0) 1225 896 800 • FAX: +44 (0) 1225 896 898 • E-MAIL: enquiries@avon-rubber.com
www.avon-rubber.com